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N. J. Tavern Case Raises Liability Cover Questions

Could Make Dram Shop Insurance Necessary Without Special Law

By JAMES C. O'CONNOR

A well publicized decision of the ew Jersey supreme court, imposing ability upon tavern operators for inury arising out of sale of liquor to minor has attracted much discusion about coverage of these claims nder liability insurance. The case reeived national publicity and was layed up sensationally by the daily apers in New Jersey and surroundng areas, usually without any menion of insurance. The important issue, rom the insurance viewpoint, is that he court opened the door to liability vithout any special statute of the ype in force in a few states, comnonly known as "dram shop" acts.

The case is titled Rappaport vs Nichols, A-22, Sept. 1959, term. Four averns—Hub Bar, Murphy's Tavern, Nat's Tavern (Nathan Sweet and Solo-

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King Named To Head New Fireman's Fund Disability Section

Fireman's Fund has announced the formation of a nationwide disability department. Kenneth T. King has been named vice-president to head it.

Kenneth T. King

The companies' disability organization will be augmented and additional policies designed to offer the public comprehensive protection. Last year Fireman's Fund inaugurated the Fund 65/plan which afforded hospital and surgical insurance to elderly citizens without medical examination. Introduced in its home state, California, and extended to an additional 10 states in its Pacific department, Fund 65/plan has received ready acceptance and has filled a recognized need.

Mr. King succeeds Vice-president Raymond L. Ellis, who retires Jan. 31, 1960, and who has had executive responsibility for automobile and casualty operations as well as all disability covers.

Prior to joining Fireman's Fund, Mr. King was with Continental Casualty as resident vice-president in charge of the company's A&S business on the Pacific Coast.

Vitt Retires As American Chairman

B. C. Vitt has retired as chairman of American. He began his career in 1912 as an office boy with Georgia Home of Columbus. In 1917 he became a special agent of Dixie Fire and after a number of years in the field in southern states he was promoted to superintendent of agencies at the head office in Greensboro, N. C.

B. C. Vitt

Dixie Fire was acquired by American in 1929, and Mr. Vitt was subsequently named a vice-president of the parent company at the head office. He became a director in 1946, president in 1950, and chairman in 1956.

Mr. Vitt has served as vice-chairman of American Foreign Insurance Assn., as a member of the executive committees of General Adjustment Bureau and National Board, and as chairman of the executive committee of Marine Office of America. He was also president of Southeastern Underwriters Assn., and a director of Insurance Society of New York.

He is a director of New Jersey Bell Telephone Co. and of National Newark & Essex Banking Co. He is also on the executive committee of the Robert Treat Council of Boy Scouts of America, and is a director of the New Jersey Safety Council and New Jersey Chamber of Commerce, as well as a director and treasurer of the Newark YMCA-YWCA, and a director of Newark chapter of American Red Cross.

Mr. Vitt was honored on his retirement at a luncheon in Newark attended by officers and directors of the company.

Mass. Bonding Starts School For Employes

Plans for establishing a formal school for employes have been completed by Massachusetts Bonding. Additional space has been taken over in the home office, specially laid out and equipped for classroom instruction.

Prof. Warner C. Danforth, head of the department of insurance at Boston University and experienced in the conduct of insurer school programs, will work on the school with department heads to organize the curricula. He will also conduct many of the classes. With George H. Nee Jr., assistant vice-president of the company, vice-president of Massachusetts Bay, an affiliate, and director of educational activities of the group, Mr. Danforth has visited company schools over the country to study effective, modern methods in use in similar schools.

The initial five-week class for younger employes will start Jan. 11. This will provide a comprehensive knowledge of casualty, A&S, fire, and fidelity and surety, and the company's over-all operation.

Mosher President Of Merged, Reorganized Accountants' Group

Walter H. Mosher, Boston, has been elected president of the new Society of Insurance Accountants at the organizational meeting at New York. The society was formed by the merger of Assn. of Casualty Accountants & Statisticians and Insurance Accountants Assn.

Other officers are T. Corwin Steele, Royal-Globe, executive vice-president; John B. Stewart, Fireman's Fund, vice-president; Everard P. Smith, retired, secretary; and Finn D. Nilsson, Royal-Globe, treasurer.

The new organization has 457 members representing stock companies.

Centennial Banquet Of N. Y. Department To Hear Rockefeller

Gov. Nelson Rockefeller will be the main speaker at the banquet commemorating the 100th anniversary of the founding of the New York department, Jan. 21, at the Waldorf-Astoria Hotel in New York. Superintendent Thacher will be toastmaster and will head the department's delegation.

Commissioner Hammel of Nevada, representing National Assn. of Insurance Commissioners, which he heads, and Frederic W. Ecker, chairman of Metropolitan Life, will also speak. Mr. Ecker will represent the entire insurance business—fire, marine, casualty and life.

Some 2,000 insurance executives and past and present public officials in the executive, legislative and judicial branches of state government are expected at the celebration. More than 1,000 dinner reservations have already been received. The insurance industry delegation will be made up of representatives from many of the 825 insurance companies doing business in the state and representing all fields of insurance licensed in the state.

Reception Scheduled

A reception will precede the banquet.

Plans for the banquet and related public relations activities are being handled by three subcommittees of insurance executives from all segments of the business in the state, functioning under the centennial committee. Chairmen of the subcommittees are J. Dewey Dorsett, general manager of Assn. of Casualty & Surety Companies, finance; Holgar J. Johnson, president of Institute of Life Insurance, public relations, and James R. Williams, vice-president of Health Insurance Institute, program and banquet.

William J. Zeiter, president of Security Mutual Casualty, has been elected a director of Illinois Insurance Information Service.

Insurance Teachers Elect Hedges; Gregg Moves Up To 1st V-P

No Wright Award This Year; Government's Myers Predicts Many Social Security Changes

WASHINGTON—American Assn. of University Teachers of Insurance met here early this week and elected J. Edward Hedges, Indiana University, president.

Davis W. Gregg, president American College, moved up to 1st vice-president; John S. Bickley, University of Texas and editor of the Journal of Insurance, became 2nd vice-president, and Joseph F. Trosper, Southern Methodist University, secretary-treasurer.

C. Arthur Williams Jr., University of Minnesota, was elected an executive committee active member, and George D. Haskell, education director American Mutual Insurance Alliance, executive committee associate member.

The Elizur Wright committee reported that no book with a 1958 copyright was judged to meet award requirements. Consequently, no award was made this year.

Although some subjects under dis-

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Two Offices To Close In Middle Department's Campaign For Economy

Middle Department Assn. of Fire Underwriters is closing its Pennsylvania district offices at Williamsport and Ridgway April 1. Agents have been notified that stamping service at these offices will be discontinued on that date. Resident inspectors will be maintained in both localities.

Counties formerly served by the two offices will be transferred to the Erie, Kingston, Harrisburg, or Altoona offices.

The department said an analysis of expenses and savings through the elimination of certain offices had indicated substantial economic benefits in over-all bureau operations.

Committee Of Lloyd's Picks Grover, Milligan

The committee of Lloyd's has re-elected Anthony C. Grover chairman, and has elected Patrick W. Milligan deputy chairman.

Mr. Grover is a marine underwriter and has been an underwriting member of Lloyd's since 1936. Mr. Milligan served as deputy chairman of Lloyd's in 1957. He has been an active leader in Lloyd's Underwriters Fire & Non-Marine Assn.

Additional Observations On Reinsurance Business Begin On Page 5

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Compact Car Rate Reductions

By WILLIAM P. HENDERSON

William P. Henderson is president of Henderson Tire Co. of Detroit. He has written articles on windshield replacements and other problems of auto coverages for THE NATIONAL UNDERWRITER *over a period of several years. Mr. Henderson's persistent calling of attention to the increase in risk exposure resulting from changes in car styling has had an undoubted effect in auto underwriting and rating and in car design.*

Recent insurance rate reductions on small cars has had a profound effect on major Detroit car manufacturers. It has followed the plus rating of large windshields that assured a return to smaller windshields starting in 1961 models. Both of these sound rating moves are anticipated ones without the benefit of loss experience which clearly indicates the automobile insurance business is taking a fresh look at the products it insures.

The two largest car makers are convinced they cannot afford to produce a car that will cost more to repair because it is apt to cost more to insure. Conversely they feel there is the incentive of lower rates for their cars if savings can be designed into their products. Functional bumpers instead of decorative ones that could reduce collision insurance a full 10% are no longer a remote possibility.

Secure Facts On Repairs

I have sat in conferences with the two largest car makers, each with different segments of the insurance business. The sole purpose of these meetings is to secure from insurance people facts on items that make for expensive collision repairs. It is cheerful to report these meetings are attended by executive groups at the working level that plan, design, engineer and produce automobiles. While it will require time to show results, the insurance business has a continuing obligation to rate their cars on a sound basis.

The need for a special lower rating formula for the new compact cars was predicted in a paper given before the Zone 5 meeting of National Assn. of Insurance Commissioners last April in Hot Springs, Ark. That prediction, was, in part:

"Special rating or sound rating does not imply only higher or additional rating but also means lower rating. There is no better way to explain this than to forewarn you about the new low cost transportation products coming out of Detroit that will have to be insured in the next six or eight months.

"Chevrolet and then Ford followed by Chrysler will introduce new low cost automobiles. It is too early to be certain but I feel sure one and probably all will be exciting new products and a new conception of family transportation.

"They will have sensible size windshields and the required glass premium for all the glass will be about one third of the present cars. The absence of chrome and expensive decorations that insurance people have criticized will be apparent. These cars with fewer parts, less expensive parts and cheaper assemblies will cost less to repair than their larger namesakes. With smaller, more economical engines they will operate at lower speeds which will tend to reduce accident frequency.

"In addition, the larger present cars have an average accessory package of $400 which is insured free as it is not included in the list price. The new cars will be free of most of this.

May Be In H Classification

"When it comes to insuring them for a $50 deductible collision the list price is apt to place them in the H symbol classification while present cars are assigned a J symbol. A popular price for this coverage in the H symbol is $37 and a J symbol $43. It is only $6 less or about 14%. It is quite possible cost of repairs could be 30% or more lower.

"The failure to rate these automobiles soundly for physical damage coverage would not lend product direction. The car manufacturer would not benefit or be encouraged to incorporate low cost design or styling in larger cars. The possibilities of a reduction of hundred of millions of dollars in physical damage coverage would suffer a severe blow."

The cost reducing factors can be established in rather definite terms now that the cars are in production.

Glass premium. The comprehensive reduction as a result only of glass loss saving is substantial. For example, a 1959 Chevrolet's glass costs $150 average retail to install, with 15.2 square feet exposed for breakage, a $7.10 claim expense, taking $11.83 of the premium at a 60% loss ratio. A Corvair's glass costs $77.50 average retail to install, has 10 square feet exposed for breakage, a claim expense of $3.25 and takes $5.42 of the premium at a 60% loss ratio.

The Corvair has tempered crack free side glass that will reduce the

(CONTINUED ON PAGE 13)

Multi-Peril Official Joins Ohio Casualty

Clarence R. Rauter, formerly assistant manager of Multi-Peril Insurance Conference, has joined Ohio Casualty at the home office in Hamilton. Mr. Rauter, once educational director of National Assn. of Insurance Agents, had much to do with drafting the comprehensive dwelling policy. He was an official of Interbureau Insurance Advisory Group when that organization was merged with Multiple Peril Insurance Rating Organization in MPIC.

At Ohio Casualty, Mr. Rauter is associated with George W. Leineke, assistant secretary.

Tenn. Capital Stock Men Elect Jack Garton

Tennessee Capital Stock Insurance Assn., at the December meeting at Nashville, elected Jack W. Garton, Commercial Union-North British, president, succeeding Ray F. Whitt, who resigned upon entering local agency work. Harold Trickey, St. Paul-Mercury, was advanced from secretary-treasurer to vice-president, and Edwin S. Myers, U.S.F.&G., was elected secretary-treasurer.

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Rhode Island has approved Springfield F.&M.'s safe driver plan. It is also in effect in Connecticut, Maine and Vermont.

LPG Explosion In Ky. Estimated At 250 Losses, $750,000

A liquified petroleum gas explosi in Warsaw, Ky., on Christmas d injured some 50 people and cause $750,000 insured damage spread ov 250 individual losses, chiefly of t dwelling variety, according to prelim inary estimates.

Homes and buildings within a seve block radius were badly damaged the explosion which was blamed a defective combination oil and g furnace in a beer and soft drink di tributing company.

Most of the damage was from co cussion, which blew out glass fro many residences and business estal lishments. About 15 nearby home were reported destroyed.

Fire damage was nil. Western Ad justment has set up a storm office i the local court house and five me are processing claims.

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Ill. Auto Rates Are Reduced

New auto rate schedules have bee approved in Illinois, reflecting a state wide average decrease of 5.43% fo PHD and 3.3% for BI and PDL. An nouncement of the reduction was un usual in that it came from the offic of Gov. Stratton rather than from th insurance department. This is the firs time since 1945 that there has bee a statewide decrease in auto BI an PDL. Examples based on rates filed b the National Bureau—using averag cost of a $10/20/5 policy—follow. I these examples and those given fo PHD, all percentages are reduction unless otherwise indicated.

City of Chicago, 5.6%; Chicago su burban, 2.6%; Lake County, 5.4% Peoria, 2.8%; DuPage and rest of Coo County, 5.3%; East St. Louis, 1.1% East St. Louis suburban (includes part of Madison and St. Clair Counties) 20.4%; Danville, 6.9%. Rural areas an small towns are up 8.9%.

PHD rates on the average cost o $50 deductible collision (as filed b NAUA) are: Chicago, 3.9%; Chicag suburban, 4.9%; Lake County, 9.5% Peoria, no change; DuPage and rest o Cook County, 9.5%; East St. Louis 9.7%; East St. Louis suburban, 9.5% Danville, 9.6%; rural areas and smal towns, 9.5%.

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Walker Exec. V-P Of North American Re

John F. Walker has been named executive vice-president of North American Re.

Before joining the organization in 1948, Mr. Walker was with Home in head office capacities and in the Maryland and Washington fields. Later he was an aviation underwriter with Newhouse & Sayre in New York. He has been vice-president of North American Re since 1951.

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Boston Board has renominated F. A. Meagher as president and has nominated J. F. Fitzgerald and Philip Richenburg Jr. vice-presidents, H. L. McNary secretary, and F. J. Connors, H. P. Edwards, Richard Porter, R. A. Sunergren and J. D. Somerville executive committeemen. The annual meeting is Jan. 12.

Broad Automation Study Shows Need Of Careful Planning, Human Relations

If experience in the field of automation—both successful and unsuccessful—has shown anything in the past five years, it is that deciding what, how, where, when and even why to do something about electronic data processing are complex and important questions which must be correctly answered if the end result is to be looked back upon with the same relish as it was anticipated. Experience has also indicated that with the proper approach, care and skill, these answers can be obtained.

These observations set the tone of the study on "Business Experience with Electronic Computers," published by Controllers Institute Research Foundation of New York. Price, Waterhouse & Co., New York accounting firm, cooperated in the study. Among the companies whose experience with electronics was studied were New York Life, U. S. Steel, General Electric, E. I. du Pont de Nemours & Co., Consolidated Edison of New York, Detroit Edison, Ford Motor Co., and Standard Oil of New Jersey.

The study points out that the origin of interest in electronics in a company seems to have a great deal to do with the initial ideas of what an electronic data processing system should accomplish. Some of these ideas are sound; some are not. At times, the initial ideas contain strong elements of logic —"Our competitors have one"; "We're a big company"; "Here's a tough problem and EDP might help"; We might as well get started now because we will have to sooner or later." At other times the ideas reflect a desire for prestige, an internal power play— "the hand that rocks the computer rules the world." At still other times, they reflect the interest and responsibility of the department to which the originators are attached.

Major And Minor Purposes

Sooner or later, however, an EDP system must prove its ability to earn its salt, regardless of where the interest originated. It is useful, therefore, to see what objectives are being sought and attained, or are giving promise of being attained, with reasonable frequency by the more successful programs. Of major importance are the desire to reduce direct and indirect clerical costs; to improve operations through better clerical support, particularly in inventory and production control, scheduling and allied areas; and to improve customer service.

It is of intermediate importance to produce more timely, accurate and effective data and reports for management planning action and control; to permit the application of more complex mathematical techniques and formulae in arriving at better solutions to problems in the inventory, production control, traffic, selling and other areas; and to consolidate files so as to have more information in one place than was previously possible— for reasons other than clerical cost reduction.

Factors of minor importance are to ease the recruitment of a labor force in districts where clerical help is not easy to obtain; to set up a system which will be able to function efficiently even if the company were to expand its volume substantially; and to reduce operating space requirements.

Points To Consider

The study notes that experience has shown that it is well for a company considering or embarking upon an EDP program to recognize the following points:

1. The objectives, or at least their relative importance, are very often not clear to a company EDP study group, and the group therefore needs direction and guidance in this respect.

2. Many of these objectives are not easy to evaluate in monetary terms, yet some value must be placed on them if a proper economic appraisal is to be made. Some ground rules need to be laid, for example, in estimating the worth of better customer service.

3. In most companies, some objectives will conflict with others. For example, better customer service may be achieved only at the expense of speed; lower cost or greater accuracy may perhaps be achieved only by central processing at the expense of depriving decentralized locations of certain information.

4. Often it is not possible for management to state its objectives clearly without some understanding of the costs, risks and gains involved. Therefore, it is usually too much to expect that a single meeting will suffice to get these objectives clearly established.

5. The process of consciously establishing objectives will often overcome the bias of the group originating the interest in electronics. To illustrate, when the interest in an EDP system has arisen in an accounting department, the planning for installation may easily become weighted towards the accounting areas. It may be that applications in the engineering, manufacturing or sales departments, or in a combination of departments, would provide a much greater return, and that the electronic installation should be anchored upon them. If the study group is trying to "justify" a system in the accounting areas only, it may come up with a recommendation which leaves much to be desired from an over-all viewpoint. On the other hand, if the group attempts to and is free to give wider scope to its investigations, the importance of other applications would be recognized, and a rather different system might be recommended.

6. The process of establishing or helping to establish goals and objectives helps to educate management in EDP and to provide a sound basis for both the support and the critical evaluation which it should supply.

General Pattern

In most companies, the responsibility for conducting the study of electronics has fallen upon the controller and his department, or upon a steering committee consisting of the controller and the heads of departments which might be affected by EDP installation. Where there has been a vice-president of administration, he has sometimes been made the "lead man," particularly when several departments are involved. Less frequently, an operating vice-president is given the responsibility. Since the major use of these systems is usually in accounting areas, and since the controller has historically been responsible for introducing and operating most large scale mechanized systems, the assignment of major responsibility for the study to him is neither surprising nor illogical.

Will Delegate Responsibility

The controller, or other corporate officers, because of their lack of extensive knowledge of the capabilities of computing systems, and the heavy demands on their working time, will, of course, not personally undertake the study but will in turn delegate this responsibility to others. In most companies, the person chosen to head the study group appears to have had the following characteristics: He is either a person from within the company with a systems or organizational flair, a knowledge of mechanization procedures and an interest in or knowledge of computers, or he is a person specially hired from outside with much the same qualifications, except that there is more emphasis on his computer knowledge.

He has executive and administrative ability, and is articulate and forceful. He generally reports either directly to the controller or to an administrative or operating vice-president of the company, and is given sufficient authority to be able to obtain the time of middle and lower management personnel and to talk to them at their own level. He is generally able to reach top management by reporting to them through an electronics committee which can help resolve at least some of the many "political situations" which seem to exist in almost every company. He attends courses, seminars and reads extensively to improve his knowledge of all aspects of computer operations and applications.

Other Typical Features

During the study he will have from three to five persons assisting him. They will generally be chosen from within the company, from the areas which it is felt might be converted to EDP, and from the systems and tabulating machine groups, if such exist. They usually have been earmarked for promotion to junior management or supervisory rank or already occupy such positions. In the event that the study indicates the company should proceed with the installation of EDP equipment, this group should, and most often does, take over much of the responsibility for the installation.

Engage Outside Consultants

Outside consultants are often engaged in the decision-making study, serving as advisers to the study group and/or management, or assuming virtually full responsibility for the work. In spite of their lack of familiarity with the specific company and sometimes the specific industry, they often have a great deal to offer—a wide knowledge of methods and computing systems in a variety of business situations, specific training in the art of making electronic studies, greater freedom in crossing organizational lines, etc. Perhaps most important of all is their objectivity, their independence of that personal or departmental bias which consciously or unconsciously leads a surprising number of groups to arrive at dubious conclusions. Finally, they decrease the reliance which the company must place on the equipment manufacturer and his technical representatives for informa-

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European Insurance, Reinsurance Results And Prospects Reported

By L. TYTENS
Duinbergen, Belgium

Mr. Tytens' article was written for the annual reinsurance issue of The National Underwriter, but had to be carried over for lack of space. Several other articles which could not be included in the reinsurance issue appear on succeeding pages.

U. S. insurance men and insured are showing a growing interest in insurance and reinsurance on the European side of the Atlantic. Unquestionably high level committees and government interference in the long run are bound to influence development of the business, one way or the other.

There have been this year many congresses and conventions, not only of professional insurers but also of government officials and other bodies dealing with insurance matters. These have reflected many of the developments which are current. Parleys by persons knowing the business, even if their experience is restricted by national frontiers, ought to produce benefits for the business. Unfortunately solutions reached are frequently compromises only and therefore constitute half measures.

Two statements reflect on the usefulness of some meetings, considered from a strictly technical point of view:

C. Briner, former president of International Union of Marine Insurance and now liaison officer between that body and the committees stemming from United Nations, stated at the meeting last August of the working party of the Economic Commission for Europe:

Insurance Officers In Delegations

"Nine countries included in their delegations professional insurance officers. On three other delegations the insurance profession was represented by managers of the respective insurance associations. The remaining five countries were represented either by officers of the governmental bureaus of supervision of insurance or by permanent representatives in Geneva. The delegations, which contained also professional insurance men, took a very active part in the discussion. It would be unrealistic to imagine that this kind of work should be left to the governments alone. One cannot expect these gentlemen to be familiar with practical aspects of our profession."

Those attending to the business of IUMI all are underwriters in the true sense of the word, whereas on the European side of the Atlantic managers of insurance associations and officers of governmental bureaus of supervision may have been dropped into their seats by accident.

Cuny Makes Statement

A second statement is attributed to M. Cuny, president of the French group of fire underwriters, at the international gathering in Monte Carlo of insurers and reinsurers—the rendezvous—in September. He said that insurance in France on factory and other business premises had deteriorated badly in the last seven years. (He did not mention that there had been a general decrease in rates on such risks of approximately 20% in 1952.)

He stressed the need for emphasizing afresh "technique," and for avoiding cut throat competition and reconsidering rates, based, where justified, on German and Italian records. He indicated that rates on a limited—but important—number of classes of risks will be raised forthwith by 20%.

Cuny Urges Patience, Cooperation

M. Cuny sponsors the idea that fire insurance rates ought to be assessed on a broad European basis. The uprating of fire insurance premiums should at an early date provide a profitable margin between claims and premiums. He urged patience and cooperation of underwriters and reinsurers. He asked for confidence in the future and suggested that reinsurers should refrain from offering their guarantee to those insurers that indulge in rate cutting.

It may be pointed out here, for the benefit of those contemplating entering the European reinsurance business, that the bulk of risks of the class M. Cuny had in mind are those to which first and second surplus treaties are applied.

Bureau International des Producteurs d'Assurances et de Reassurances, which met in Madrid in 1959, is composed of business getters who do not always see eye to eye with underwriters. BIPAR includes also agents tied to a particular company. Many BIPAR members are not underwriters but brokers whose aim is to obtain a maximum of guarantees against a minimum of premium. The true broker is concerned with the interests of his clients and knows well that the more extensive the guarantee, the higher the premium when dealing with reliable underwriters. In that connection it is interesting to point out that in some quarters in London the brokers are blamed for adverse underwriting results. However, premium hungry underwriters may very well be prepared to offer more than they can give in the long run.

Yet London thrives on displaced risks, and it would be normal for the underwriters operating there to accept business at lower rates under broader conditions than those applying in the market where the risks belong.

BIPAR Growth Predicted

Members of BIPAR have an extensive agenda and the organization should grow in importance and influence as the membership, which is worldwide, increases. Brokers are, of course, opposed to direct insured-underwriter relations.

But German Insurance Assn. has commented on the need for direct insured-insurer relation in the matter of nuclear energy in the following, which is abridged: "The German Atomic Insurance Pool cannot, in any foreseeable future, consider paying brokerage or agency commission on these risks. As a matter of fact, shouldering such risks should be considered as mutual help to the benefit of the insurance business rather than a form of insurance. For various rea-

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Reviews Changes In Reinsurance That Have Occurred In Decade

By PHILIP W. NESS Jr.

Mr. Ness, a trainee of America Fore Loyalty at New York, won the Sterling Offices Ltd. prize for the best paper on reinsurance by a student in the school of Insurance Society of New York for the 1958-59 academic year. The following article is taken from Mr. Ness's paper.

The American insurance industry has shown tremendous growth in the 20th century. There has been great expansion of direct insurance business, and thus it is only natural that there has been an increased demand for reinsurance, because, after all, "reinsurance draws all its substance and vitality from insurance." Reinsurance is becoming more indispensable every day. There are now 35 professional stock reinsurers writing more than $200 million in the U.S.

Rise In Premium Export

Reinsurance of foreign writings has always been a minor activity of American insurers. In 1956, although 42 countries ceded reinsurance to U.S. companies, the volume of premiums was only $38,600,000. Of this, some $27,700,000 was paid in losses. In the same year, American companies ceded $207,900,000 in premiums abroad, and recovered $145,300,000 in losses. From 1950 to 1957 U.S. reinsurance ceded abroad increased from $129,700,000 to $234,200,000 while U.S. reinsurance assumed from abroad went from $17,500,000 to $48 million.

In December, 1951, issue of the London Review, the international insurance newspaper, the editors stated that there were no immediate prospects of American reinsurers becoming more internationally minded—in the light of disturbed conditions. In a general way, the editors believed that professional reinsurers had within their reach and on their books about all the business they could handle with their financial resources. However, there are signs that this outlook is changing. The actions of American Foreign Insurance Assn. and American International Underwriters provide a good example.

The marked increase in insurance dealings all over the world has increased the amount of reinsurance offered to AFIA and AIU by foreign concerns. After World War II, AFIA realized that the ever-increasing importance of obligatory reinsurance made it necessary to create a treaty reinsurance department.

However, both AFIA and AIU, after accepting some of this great increase in foreign reinsurance, found that some of it was unprofitable, and they have become more cautious in accepting increasing amounts of this business. Despite necessary caution, in 1956 AFIA reported an impressive growth in its treaty reinsurance portfolio, and in 1957 issued a statement saying that with today's ever increasing values of large industrial and hull risks, the U.S. market could profitably provide a measure of cover—based on acceptance of good risks.

Other Views Of Changes

Other statements and actions illustrate further changes. The U.S. marine market actively supported International Union of Marine Insurance in 1956 to 1958. Frank Zeller, retired vice-president of Royal-Globe and former president of American Institute of Marine Underwriters, cited what he called a vital need to preserve the national marine market by being competitive at the international level and accepting reinsurance of other than American-controlled tonnage. William F. Delaney Jr., New York broker, at the Hemispheric Insurance Conference at Caracas in 1958, noted the increase in Latin American reinsurance cessions to the U.S.—from $2 million in 1949 to $8.3 million in 1957. He said that interest in the Latin American market would continue to expand and he suggested the formation of a hemispheric reinsurance organization to provide and promote a market.

Will the U.S. continue to be cautious in handling foreign reinsurance, or will it make a real effort to expand into this field? History shows that until recently, American reinsurers have—with few exceptions—confined their activities to the U.S. However, there is a great increase in the value of insured risks, and thus a demand for the full use of the world's reinsurance markets. The fourfold increase in reinsurance business from Latin America in the eight year period to 1957 shows some definite new American international reinsurance interest. A combination of the increased reinsurance possibilities in the world market, a desire for more business, and adverse results in the U.S., have made American reinsurers look to other countries for additional premiums.

American Position

If the tremendous U.S. reinsurance growth continues, and all indications are that it will, American companies will undoubtedly increase their foreign reinsurance. It is true that such difficulties as exchange controls, withholding of reserves, and the continuous pressure of their own domestic business, deter U.S. insurers from offering reinsurance facilities to any large extent to the rest of the world. Also, nationalistic feelings have tended to keep some U.S. companies away from foreign activity. Moreover, the increase in Latin American business is not indicative of world-wide possibilities for American reinsurers, as the Latin American market has been more stable than that in other countries.

The U.S. is slowly developing as an international reinsurance market and there are indications that this trend will continue, particularly if currency exchange restrictions are eased and too great a demand isn't made for reciprocity. However, on balance it would appear that while American reinsurance of foreign risks is growing and U.S. reinsurers are becoming more aware of good international risks, the field will remain quite a minor part of the reinsurance dealings of American companies.

Three Main Markets

With regard to foreign reinsurance of American business, there are three main markets. They are in order of importance, the native market, England, and Europe. Some foreign companies have qualified to do reinsurance business in the U.S. However, American laws and the customs of the market, which provide that any admitted reinsurance or insurance company, domestic, foreign or alien, shall hold sufficient funds to deposit roughly $1.75 for every $2 of premiums written—a proportion to be maintained also in regard to any increase in premium production—automatically constitutes a check on unrestrained expansion by new insurers in the U.S.

The American reinsurance market is largely self-sufficient—with the exception of facilities to care for higher limits in the casualty field, and catastrophic perils like hurricanes. Thus, American reinsurance has progressed tremendously, especially in the last 10 years. However, as noted, a large volume of American reinsurance is still handled by foreign reinsurers, admitted or located exclusively abroad. Is this foreign business to lose out eventually to American markets? Is it good or bad to have so much reinsurance ceded to foreign concerns? What is happening in the American reinsurance market that might affect cedings to foreign insurers?

Since 1950, annual surveys of U.S. reinsurance transactions generally have shown increases in the amount of premiums ceded to foreign reinsurers, although there was a small drop in 1955 and 1956. Several foreign reinsurers have recently expanded operations in the U.S., but the admittance of American branches of foreign companies has slowed down since 1949. Consequently, a much more important factor has been the vigorous entry, or re-entry, of several large domestic primary companies into the reinsurance field. Many of these domestic companies had limited their reinsurance activities during the great volume squeeze of 1946. Moreover, there are other trends that show not only the expansion of the U.S. reinsurance market but also new and stronger U.S. factors in it.

Primary Insurer Activity

First, there has been a continuing trend on the part of primary companies to write reinsurance, thus tending to make competition even keener. In 1952, American reinsurers wrote a large volume of excess of loss reinsurance. This was then relatively new in the U.S., since reinsurance of this type was written almost exclusively abroad, and principally at London Lloyds. The American market for excess of loss reinsurance continues to grow. An American company was the leading underwriter on the largest excess of loss contract in history. This was written in the U.S.

Group reinsurance which originated in the U.S. is a completely new product of the post World War II period. Moreover, in the last five years there have been concentrated efforts in the U.S. to reduce the cost of reinsurance by simplification.

To determine the place of foreign

(CONTINUED ON PAGE 16)

Special Problems Of WC And Auto And How Reinsurers Have Met Them

By WARD B. GORDON

Mr. Gordon, who is on the staff of Marsh & McLennan at New York, was the first winner of the Anglo-American fellowship award sponsored by Agency Managers Ltd., New York. The school of Insurance Society of New York selected the winner of the award on the basis of a competitive test, character and an essay on reinsurance, from which the following article was taken. The fellowship, consisting of a six week trip to England to study the reinsurance market, was founded by Ben D. Cooke, president of Agency Managers and senior partner in B. D. Cooke & Partners Ltd., London.

Workmen's compensation stands alone among casualty coverages because in theory it abrogates the basic concept of legal liability based on negligence. Each policy written incorporates, as an insuring agreement, the workmen's compensation law in the state or states in which the coverage applies. Each state law outlines the benefits that the worker who has been injured on the job is entitled to receive, based upon the severity of his injury.

Gradual Increase In Benefits

Benefits payable under compensation laws have been gradually increasing, and although most experts agree that the current benefits have not nearly kept pace with the economic growth of the nation, or the over-all cost of living, certain challenging situations present themselves to underwriters assuming the line. A WC authority has pointed out that notwithstanding frequent statements to the contrary, there have been substantial improvements in WC laws since their original enactment, particularly in the past 20 years. As recently as 1940, only 12 jurisdictions provided unlimited medical benefits, the average duration was 63 days and the average maximum amount was $258. Today, 35 states provide substantially unlimited medical care, and among the remaining jurisdictions the average maximum amount payable is $1,769.

In 1938, the national average maximum weekly benefit rate was said to be $18.34. Today it is $38.43. Thus, in the past 20 years, the average rate has increased $20.09, or more than double.

Problem Of Unlimited Medical

Generally speaking, the primary insurers have found WC to be a comparatively satisfactory line. The statutory benefits have allowed a certain degree of stability between premium and losses. The unlimited medical feature, however, has begun to reflect itself not only in the results of these insurers, but particularly in the loss experience of reinsurers. It was not immediately determined that the unlimited medical feature was such a serious threat to reinsurers, for the effects were felt slowly, due to lags between rates indicated by experience, and the actual current experience. The cost of medication and care continues to rise in the face of the generally inflationary trend. Therefore, more and more of the working force are granted unlimited medical privileges, and the cost of providing such service continues to rise.

The threat of large losses from medical and disability claims under WC statutes must also be associated with the pace of technological advance. From the end of World War II, medical research projects of various types have been highly successful. Great amounts of time and money have been spent in the development of new drugs to fight the pain and effects of disease and injury, and to improve medical techniques. These drugs and techniques have had a profound effect on WC cases. The injuries that at one time involved payments of longer duration may now be settled more rapidly, but more expensively, due to the use of new drugs which reflect the cost of their development. Conversely, accidents occur which would previously have caused death and subsequent settlement of claims through death benefits. Today many such cases must be reserved and re-reserved by reinsurers, because the use of drugs and improved treatment makes it possible for seriously injured individuals to live.

Classification Of Claims

In addition to circumstances connected with inflation and medical progress, reinsurers have also been faced with an allied problem. WC boards and primary insurers have had difficulty in properly classifying claims. Often with the excellent treatment available, it will be presumed that the claim is only temporary, that no permanent disability exists, and that total rehabilitation will be possible. In such a situation, the reinsurer generally does not establish reserves against a total disability, since the primary company has not established such a reserve. As it actually works out, after several years of treatment, it is finally determined that such a case is in reality one of total disability. It is of course very difficult to determine how different people will react to a treatment, and this may well be a problem of long standing in the business. These circumstances have caused reinsurers increasing concern in relation to WC.

Considered Excellent

Before and during World War II, automobile was considered an excellent line. Shortly after the end of the war, the picture began to change, as a combination of forces worked to raise loss ratios of primary companies and reinsurers.

The sheer number of cars has seriously affected insurers. In 1940, 32 million automobiles were registered. This number did not significantly change during the war. In 1955, registrations had mounted to 61 million. The development of roads and carefully engineered traffic control has fallen woefully behind the production and technology of the automobile. It is logical to conclude that with increased exposure, the number of accidents is bound to rise.

As the hazard increases, congestion of another sort causes insurers difficulty. Automobile liability is a true third party coverage in which the driver must be proved legally liable for damages to persons and property. Arbitration is carried on in an effort to settle claims so that court action is unnecessary. Although not a new concept, arbitration has not been developed to a point where it keeps the majority of cases out of courts. Unfortunately, in the past few years, those cases which have been settled in the normal processes of law have established a trend toward progressively higher settlements.

Inflation By Jury

With few exceptions, the settlement amount per case has risen each year since the end of the war. The inflationary trend, and the highly skilled lawyers who handle many cases are important factors in determining the size of judgments. Ben D. Cooke, chairman of B. D. Cooke & Partners Ltd. of London and managing director of Agency Managers Ltd. of New York, has referred to high judgments as "inflation by jury." Juries are aware that attorneys are highly compensated for their efforts, often receiving 50% or more of awards. With this in mind, juries virtually double the amount that they feel the injured party should receive, to make certain he gets his due.

Inflation Is Nemesis

The nemesis of the primary insurers and reinsurers seems to be inflation. In automobile liability, just as in WC, inflation makes more difficult the accurate reserving of claims. In automobile claims, the human life takes on increased values. Pain and injury that change the normal course of one's life, merit progressively higher monetary compensation. The general high level of the economy seems to bring with it a certain contempt for dollar values and the consequent effect is realized in judgments that 20 years ago were virtually unknown. Inflation has caused two basic changes in the automobile claim situation. The average size of large verdicts has doubled, and there has been an enormous increase in loss frequency.

The business has provided progres-

(CONTINUED ON PAGE 17)

Reinsurers Think More Mergers Of Primary Companies Will Take Place

The trend toward mergers among insurers started considerably later than did the surge toward combinations in other businesses. Already, however, there have been quite a few amalgamations of companies, and some reinsurance executives believe that there will be more in the next five years than in the last 10, in amount of assets and in number.

The movement is world wide. One comment from England is that the mergers there, which in the past year have been as spectacular as anything that has occurred in the U. S., have been undertaken from strength and not forced by weakness. This is taken to mean—because the facts warrant it —that the mergers have been affected for positive rather than negative reasons. The companies that have merged have been exerting the function of good management, to take an important but troublesome step to improve their position for the future before the past caught up with them.

The mergers of larger insurers have tended to overshadow some that have been occurring among smaller units. Yet it is surprising how few amalgamations of small insurers have occurred. They are considered to be in a steadily deteriorating position as inflation, population and property, perils and liability, have multiplied and broadened. There has been a rapid and considerable rise in the demand for insuring capacity per unit as a result of these factors, a demand greatly enhanced by a simultaneous movement in the business toward the packaging of coverages.

Extensions Of Capacity

One answer is that the really small insurer units, under circumstances of this kind, long ago would have had to combine or give up if it had not been for the extensions of capacity provided by reinsurance. Even so, it is still a puzzle how they have survived and even done well, and how long they can continue to do so.

Beyond this, however, many of the small insurers are mutuals, a form of organization that makes them less amenable to agglomeration than stock companies, though combining can be and has been done.

There appears to be another factor that makes merger of quite small units such as town or county mutuals, and even larger stock and mutual units operating regionally, less promising in positive objectives than is the case with larger insurers.

Promises Volume Increase

With the larger insurer operating in many places side by side with another insurer, merger of the two promises the elimination—gradually and painlessly in some instances, more rapidly and painfully in others—of personnel all up and down the line to achieve a substantial increase in volume per unit of personnel. In the case of the quite small insurer particularly, there is little or none of this that can be achieved by merger. Such insurers do not in many cases operate side by side in the same geographical area, serving the same or like insured. The advantages of merging two town insurers operating 50 miles apart would be a little like combining an insurer that confines its operations to England and one that does no business outside New England. Where they do business in the same area, with the same general populace, the combination ought to be as advantageous, in its degree, as a merger of two insurers operating nationally. Or a larger mutual operating side by side in one locality with a town or county mutual might, it seems, find combination advantageous.

There are other aspects of the current situation which also point to more mergers ahead.

Reinsurers are, of course, close students of insurer management and operation. With the current acceleration in competition for business, some of the facts of life as the reinsurers have observed them over the years are going to get repeated in more vigorous style. For example, the company that succeeds in a regional or local area and then goes national has special problems which become quite apparent in times like the present. The company loses its close knowledge of the business which has enabled it to stay away from poor classes or districts and thus produce a loss ratio better than its competitors. It also loses its close control of expenses.

Except under quite favorable circumstances—owner managed, exceptionally good and vigorous management, favorable underwriting cycle, or all of them—it doesn't succeed nationally. Its costs and loss ratio are up. It can no longer compete with the sharp, well managed local company; and it has neither the momentum of size nor the seasoned talent to compete with the big national companies.

Expense Cuts Begin

One of the first things that occurs under these circumstances is that management, fallen on desperate days, looks everywhere to cut expenses. One of the first results of this is to set in motion an anti-selection element which downgrades personnel at every level. The most capable personnel soon begin to look elsewhere, and this is the kind of employe at all levels that goes first. Few if any companies are able to overcome the ebb tide thus set in motion. It is impossible to go back, it is impossible to go forward. When competition was more leisurely, when the "system" was operating, a company in these straits could last a long time. Today the survival time is much shorter. Merger is practically the only way out.

This is not to say that every company of a certain size or sizes is going to disappear. Some of them will make it. But they will make it only because they do what has to be done. Merger may be one of the things that has to be done.

What Has Happened

In general it can be said that poor underwriting results and vigorous competition for business, a combination characteristic of the business for several years, has left some insurers unable or unwilling to deal successfully with the situation. Some of these insurers have had to spend their energies in recent times trying to clean up bad underwriting conditions. Many of them find they do not have enough of the right kind of executive personnel. Many have stood still on surplus, perhaps have lost a little. They have neither the time nor the personnel to get into the marketing swim. Some of them have had comparatively small increases in volume—a few are now beginning to lose volume.

In the distance, no one knows how far, is looming the possibility that the very large life companies may have the statutory gate opened by New York to acquisition of fire and casualty insurers. If this happens in the foreseeable future, some fire-casualty companies are beginning to see that they will be sitting ducks for large aggregations of purchasing money. Some already are starting to look quite hard to find other insurers with which to merge, to create a self-protective size, or are asking larger fire-casualty companies for asylum.

One thing the reinsurers see quite clearly—along with management consultants who have been in the insurance area a long time—is that the insurer frequently gets into trouble because it doesn't study and control its sources of business. One reinsurance observer thinks it can be guaranteed that the insurer that does both will save 15 points in the loss ratio. Oddly enough, this is precisely the figure which a consultant guarantees to save an insurer on the expense side. This is 30 points, and if it is overstated by 100%, it still represents 15 points, which would put 95 plus percent of those that are in the red over into the black.

The problem which costs the insurer 30 points (or 15) is the planting of the company in agencies which don't need it and in which it stands fifth to 15th (or worse) in volume, quality of business, promptness of pay, and acquisition cost (the regular plus contingent or five points).

Proud Of Numbers

Company after company, proud of the numbers in its agency plant, agencies appointed by field men paid and promoted by the company for numbers rather than for much more cogent economic reasons, has established connections with five times as many agents as have proved to be economically favorable to the insurer. Time after time, analysis of a company's agency accounts shows that 20% or fewer of its agencies are producing 80% of their volume or more. The other side of this coin is that 80% of the company's agents by number who produce 30% or less of its volume, are accounting for 80% to 85% of its losses.

In automobile particularly, if the insurer is not the first or second company in an agency, it had better get out. But for all lines, in the case of many insurers, the cancellation on an informed basis of non-economic production units will reduce losses sharply and will cut expenses. On the expense side, such units represent a loss; on volume they represent much of the insurer's loss ratio.

This does not mean that 80 of 100 agencies are no good. It means they are no good for this particular company. For another insurer, perhaps, it will be another 20 agents that produce the volume and quality of business it needs. Perhaps some of the agencies are marginal producers that are no good for any company; some of the good agencies would overlap. But it is apparent that an agency cannot have more than one, two and perhaps three lead companies for a general business (specialty companies are something else again). This is one of the factors that as companies come to grips with it will tend to reduce the number of companies in agencies the country over. If companies don't come to grips with it, the result may be fewer companies.

State Laws' Impact On Personal Injury Cases Traced; Compensation Threat Seen

This is the second part of a discussion by R. Newell Lusby, executive vice-president of America Fore Loyalty, at the Southwestern Legal Foundation's institute on personal injury litigation at Dallas.

Not many years ago it was generally agreed that disclosure that a defendant was insured was prejudicial to proper trial of a negligence action. It was believed that evidence of protection against pecuniary loss had no relation to the merits of a tort case. But today in a number of states the defendant in a tort suit is required to disclose at pre-trial or in answer to interrogatories the fact that he has insurance and the limits of his coverage. California, Colorado, Illinois, Kentucky, New Hampshire, Tennessee and Utah have these requirements.

The rationale seems to be that liability policies inure to the benefit of every person who may be injured by insured. The courts are openly and frankly saying that they are no longer interested only in questions of liability and damages, but are also interested in the economic capacity of the defendant to respond in damages if he is found liable. Thus there emerges the concept that the decision in negligence litigation should not be based alone upon a scrutiny of the conduct of the parties and the rules of tort law applicable thereto.

Other examples of changes giving tactical advantages to the plaintiff are to be found in state legislation recently enacted, Mr. Lusby noted. At the last session of its legislature Connecticut adopted a law which provides that any release taken in a bodily injury case within 15 days of the date of the allegedly tortious act is voidable at the option of the releaser. The release is not voidable if it is taken under circumstances out of which there might arise a reasonable presumption that the person taking the release had overreached the injured party. This statute makes the release voidable simply on the basis of its having been taken within 15 days of the commission of the act out of which the injury arises.

Wrong Motivation

Anyone experienced in negligence law knows that the great majority of injuries arising out of accidents are relatively minor, and that the nature and extent of the injury can readily be determined shortly after the accident. In many such cases, an assessment of liability and damages can be made in a week or 10 days. Those interested in the prompt disposition of all claims should accomplish quickly the disposition of this class of claims. Mr. Lusby said the question is whether the enactment of this legislation was motivated by public interest or by the selfish interest of attorneys who want to be assured of adequate time to get their hands on prospective tort litigation.

Legislation in North Carolina provides for the assessment of attorneys' fees upon any judgment of less than $500. Interestingly enough, it carries no provision for the assessment of attorneys' fees to the defendant, if a defendant's verdict is returned. Here again, the question is whether this legislation was sponsored in the public interest, or to give the plaintiff a tool for the harrassment of the defendant.

A Vermont law provides that actions may not be consolidated for trial except with consent of all parties. This includes counter-claims. Mr. Lusby does not think that the proponents of this legislation are interested in simplifying the administration of justice, in the prompt disposition of controversies, or in having before the court all evidence bearing upon the controversy. He thinks the proponents were interested only in the preservation of partisan advantage, regardless of the effect on the administration of justice. Mr. Lusby predicts that in Vermont there will be cases in which each driver in a two-car collision will recover from the other.

Flagrant Techniques

He discussed some relatively recent developments in trial techniques in negligence litigation. Mr. Lusby has always believed that the proper function of a jury is to determine questions of fact, and that these are best determined by the objective presentation of evidence. Little light is shed by the flames of passion and aroused emotion. Yet under the beguiling title of "demonstrative evidence" there has been developed to a high art a technique which has the sole purpose of arousing the passions of the jury.

Any person qualified for jury service is well aware of what is involved in the amputation of a leg, yet some attorneys approve Melvin Belli's much publicized act of carrying into court for many days during the course of a trial, an artificial leg wrapped in a piece of butcher's paper. Also viewed with approbation are the exhibition of color photographs of unhealed wounds, and of plastic and wax bodies. No honest man will debate the purpose of this type of evidence, yet these techniques are being approved.

Referring to another technique, Mr. Lusby said that blackboards may have their proper place in the courtroom. However, a lawyer who elicited from a witness an answer that was favorable to his cause, would not be permitted to ask the question two, three, or four times, so that the answer might reach the jury again and again. There is no difference in principle between eliciting the helpful answer again and again and writing the answer on the blackboard and letting it stand before the jury for five, 10, 15 or 20 minutes. Yet many see no impropriety in the blackboard technique.

Other Developments

Related to this technique is another by which plaintiff's counsel assigns a value to each day or week or month of alleged pain and suffering not yet experienced, or each period of anticipated humiliation because of disfigurement or physical limitation. This figure is presented to the jury with the request that it be used as the basis for determining the total damages which should be given to the plaintiff. Mr. Lusby has always thought that it was proper to argue to the jury only those matters which have been put in evidence. It is not possible to get into evidence testimony relating to the per diem value of pain and suffering or humiliation, and yet by this development in the law, there is a condoning of this device to get into the minds of the jury something of which there is no evidence.

One final trend in tort litigation is represented by the developments in pre-trial conferences. Most thinking people see the wisdom of a pre-trial conference which narrows the issues to be tried. But in all too many jurisdictions today, pre-trial conferences have degenerated into a bargaining arrangement in which plaintiff and defendant appear before a judge who might better be called "the chief adjuster." Chiefly interested in how much has been offered and how much is demanded, the judge undertakes to close a bargain.

Such developments have combined to make recent years among the most critical in the history of the casualty business, Mr. Lusby said. The business knows that it cannot indefinitely face present conditions and continue to provide protection which the public needs under the traditional system of tort law, and it has tried to tell the public what is happening. In this attempt, the business has been amazed to find that its most zealous adversaries are lawyers. Spokesmen for the organized plaintiffs' lawyers have produced a deluge of articles and speeches designed to discredit the insurance business. Addressing the public, the bench, and their fellow attorneys, these lawyers have said that the insurance business has deprived the public of its due, that it has concealed its true financial position, that it is making profits when it claims to be losing money, that if, in fact, it is losing money it is certainly not because of the changes in the law, trial techniques or higher awards.

Mo. Supreme Court Reverses Award, Says Plaintiff Knew Enough

Missouri supreme court has reversed a judgment of $23,500 in favor of Miss Florence M. Heine, who was injured when she fell on a soapy floor in a Thompson restaurant in St. Louis. Miss Heine won her case in a lower court by charging the restaurant owner with negligence for not warning her of the wet floor.

The supreme court, however, said Miss Heine had as much knowledge of the condition of the restaurant floor as the proprietor, and a warning of the hazard would have contained no additional information for her.

Wadsworth, Nine Others Advanced By Travelers

Joseph Wadsworth, secretary of Travelers, has been named counsel and will serve in both capacities. Hugh Harbison will continue as senior counsel. Henry B. Armstrong, James B. Hallett and Frederick C. Maynard Jr. have been named associate counsel, and Francis J. McCarthy assistant counsel.

Continues As Trial Counsel

The firm of Maxwell, Dully & Foley will continue as trial counsel in association with the law department.

Mr. Wadsworth joined Travelers in 1946 after being associated with law firms in New York City. Mr. Armstrong joined the company in 1947 as an attorney in the law department after experience with the New York law firm of Sullivan & Cromwell.

Mr. Hallett was general counsel of National Assn. of Life Underwriters from 1948-51 when he became associated with Travelers. Mr. Maynard and Mr. McCarthy have been attorneys with the company since 1949 and 1947, respectively.

Other Appointments

A number of assistant secretaries have been appointed: James A. Wagner in the agency services department; J. Hugh Cobrain, Philip R. Reynolds and Joseph Van Vleck in the securities department; and Louis J. Breen and Spencer H. Champlin in the casualty underwriting department.

Mr. Wagner joined the company in 1945 as a field supervisor in the casualty, fidelity and surety agency department in Richmond, Va. In 1951 he was named assistant manager at Pittsburgh, and in 1958 he was transferred to the home office as an agency assistant in the agency services department.

Mr. Cobrain joined Travelers in 1952 as a financial assistant in the securities department. Mr. Reynolds has been with the company since 1955 and Mr. Van Vleck since 1953.

Joined In 1918

Mr. Breen, with the company since 1918, was named an underwriter in the automobile department in 1932 and became supervising underwriter in the automobile compensation and liability department in 1954. Mr. Champlin joined Travelers in 1946 as an underwriter and became a supervising underwriter in 1952.

Franklin H. Cameron, who began with the company in 1949 at St. Louis as an assistant field underwriter, has been appointed branch office supervisor in the branch office administration department.

Insurers Testing Legality Of N. C. Levy On Premiums

Great American and Hardware Mutual of the Carolinas have filed suit in Wake superior court to test the legality of three North Carolina acts to resurrect the fireman's pension fund.

The acts seek financial support for the pension from a 1% levy on fire premiums. The companies contend that the tax provides special privileges for firemen and is unequal taxation because uninsured persons would not have to contribute.

The suit also considers that the legislature erred in not throwing the bill back on the first reading when a section was inserted by an amendment from the floor, and that correct procedure was not followed in that, as tax bills, they had not passed separate readings on three days in each house.

Mutual Bureau Increases CPL Rates In Four States

Mutual Insurance Rating Bureau has revised comprehensive and farmers CPL rates in Illinois, Maine, Utah and Wyoming.

Revisions were for both coverages in Illinois and Maine, and for farmers CPL in Utah and Wyoming.

Rates for CPL are increased $2 in Maine and $2.50 in Illinois.

Increases ranging from $1 to $5.50 apply on farmers CPL where the farmer resides on his farm premises.

Lexington Names Three Directors

Lexington of Boston has elected Howard R. Sluyter, Jack C. Vaughn and Ellis H. Carson to its board.

Mr. Sluyter, representing the Murchison brothers interest, is vice-president, treasurer and director of Life Companies Inc., and also is vice-president of Investments Management Corp. and a director of Lamar Life, Gulf Life and Atlantic Life.

Mr. Vaughn is president of Spartan Drilling Co., and Spartan National Life.

Mr. Carson is president of New England Re.

Wash. County (Ore.) Agents Elect

Washington County (Ore.) Assn. of Insurance Agents has elected Paul Falso president. J. P. Wieber was elected vice-president and Rosemary Burns secretary-treasurer.

Discusses Idea Of Insuring The Driver

An underwriter of a midwest insurer writes:

Certainly a good case could be made for insuring the driver rather than the automobile, at least so far as liability is concerned.

There are several arguments used in your editorial, and being used quite frequently now that merit rating plans are being prominently discussed, which I feel should be questioned.

The original concept of insurance was that the contributions of the fortunate many were to be used to alleviate the suffering of the unfortunate few. The basic concept of the merit rating plan is that your own accidents and violations determine your rate. Theoretically, and carried to its final conclusion, this would mean doing away with insurance since each person would finally pay enough for his insurance to take care of his own losses. Thus he could economize by eliminating the agent and the insurance company.

Child Affects Family

At one place in your editorial, you raise the question as to why one young driver in a family should keep his parents from driving, or take them into the assigned risk pool. However, is it not true that so long as a person is a member of the family, his every act is going to affect the entire family to some degree? And so far as insurance is concerned, if he is to have insurance at all, Dad is going to have to help pay for it.

At another place in the editorial you suggest a way in which class 1 drivers would not have to carry part of the load for class 2C. The suggestion is further made that companies might be set up to carry only a certain class of risk. As an underwriter, it would be wonderful to insure only class 1A risks. Or would it?

Completion would soon beat the rates down so far in each particular class that it would be impossible to make a profit even on the very best class. "Accidents" still do happen.

You and I do not rob banks or commit murder. Why then should we be taxed to support courts, police officers and prisons?

Perhaps the purpose of the merit rating plan is actually to force off the road, because he cannot pay for insurance, the undesirable driver. This result would be a welcome accomplishment. However, would it not be better to attack the problem directly and write our laws on the concept that the driving of an automobile is a privilege and not a right?

Cites N.C. Compulsory Results In First Year

Daniel J. McNamara, senior assistant actuary of National Bureau, declared that the first year of compulsory auto insurance in North Carolina showed a sharp rise in the frequency and cost of accident claims. He testified at a public hearing on North Carolina Automobile Rate Administrative Office's request for a rate increase of 19.9% on private passenger cars, a reduction of 15.2% on commercial cars, and an increase of 1.1% on broad coverage garage risks.

In 1958, the first year of compulsory operation, the number of liability claims incurred by insured motorists increased from 17 to 20 per 1,000 insured cars, a rise of 17.6% over 1957. The cost of BI claims rose 7% from an average of $801 to $857, Mr. McNamara pointed out.

The number of property damage claims went up 6% from 67 to 71 per 1,000 insured cars. The cost of these claims climbed 10.3% from an average of $136 to $150.

These average cost figures include claims up to the 5/10/5 compulsory limits upon which rates are based, Mr. McNamara concluded.

Top Level Promotions Made By U. S. Aviation

Richard S. Anderson, vice-president has been advanced to vice-chairman of U. S. Aviation Underwriters.

Woodrow J. Van Hoven, vice-president, was promoted to executive vice-president; and James O. Fortuna and John G. Piegari, assistant secretaries to vice-president.

George I. Whitehead, director of central claims, was promoted to vice-president, and Frederick G. Schonenberg, special risk underwriter-branch supervisor to assistant secretary.

East St. Louis Agents Elect Hormberg President

East St. Louis (Ill.) Assn. of Insurance Agents has elected Robert Hormberg president, succeeding Robert Murphy. Other officers are Edward Price, vice-president; William R. Popkess, treasurer, and John Bogacki secretary.

Patterson Joins Moore, Case

John M. Patterson has joined Moore, Case, Lyman & Hubbard, metropolitan supervising agency of Chicago, as controller and manager. He was personnel director of the Ingersoll division of Borg-Warner Corp. at Kalamazoo.

Trace Careers Of Officers Raised By America Fore

John N. Blegen, who has been advanced from secretary to vice-president of America Fore fire companies, joined Continental at Chicago in 1930. He was named assistant general adjuster in 1942, and in 1951 was transferred to the home office as general adjuster. He was elected assistant secretary in 1953 and secretary in 1954.

David Gray

David Gray, new vice-president of the fire companies and of Fidelity & Casualty, joined the group in 1948. He was named assistant secretary in 1954 and secretary in 1957. He is a director of Afco, Afco Time Payments and of Cafo Ltd., group affiliates.

With America Fore since 1928, Herbert G. Roleke, who has been named vice-president and general counsel of the fire companies and of F.&C., began with the latter as a claims examiner in the bond department in New York. In 1943 he was transferred to the legal department as assistant counsel. He was appointed counsel in 1954, general counsel in 1955, and secretary and general counsel in 1957.

Geoffrey Davey, named vice-president in addition to secretary of all

John N. Blegen

Herbert G. Roleke

America Fore Loyalty companies, began his insurance career in 1948 with Republic National Life as an actuarial assistant. He was with the New York law firm of Watters & Donovan from 1952 to 1955. He joined America Fore in 1956 as a tax adviser, and later that year was named assistant to the controller. He was appointed assistant treasurer of America Fore companies in 1957 and was named to the same post with Loyalty companies in 1958. Later that year he became secretary of all group companies.

Other Careers

Joseph F. Murphy, named vice-president and counsel of America Fore Loyalty companies, joined America Fore in 1955 as counsel. He became secretary and counsel of America Fore in 1957. Mr. Murphy is chairman of Motor Vehicle Accident Indemnification Corp. of New York and of New Jersey Uninsured Judgment Fund

Carroll R. Young

Francis B. Wadelton

Board, and is a member of the insurance section of American Bar Assn. Before joining America Fore he was assistant general counsel for the Kemper group and later was deputy superintendent of the New York insurance department from 1952 to 1955.

With America Fore since 1933, Carroll R. Young, who has been named vice-president of the four domestic Loyalty companies in addition to vice-president of America Fore, began with F.&C. at St. Louis. He became bond superintendent at Detroit in 1935 and

Geoffrey Davey

Joseph F. Murphy

in 1939 was transferred to New York as superintendent of the bond production division. In 1940 he was named bond superintendent at San Francisco and resident manager there in 1949. He was elected secretary of F.&C., in 1954 and assigned to the home office bonding department. In 1954 he became vice-president of America Fore. Mr. Young is a past president of Surety Underwriters Assn. of Northern California.

Began Career In 1936

Francis B. Wadelton, who has joined the group as vice-president of America Fore fire companies and F.&C., began his career in 1936 as a security analyst with City Bank Farmers Trust of New York. After World War II service he became a security analyst with Lord, Abbett & Co., New York investment firm, his most recent position. His new duties include finance and investments.

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National Bureau Amends N. J. Liability Coverage

Amendments in comprehensive personal and farmers CPL coverages of National Bureau in New Jersey took effect Dec. 23.

An additional charge will apply for liability insurance covering swimming pools and wading pools over 30 inches deep. The basic limit rate for a pool at the insured's home will be $15.

Also added was a new charge for optional coverage of owned outboard motors of more than 10 horsepower. The basic limit rate for such motors will range from $10 to $40, depending on the horsepower. Coverage is still included at the basic rate for rented outboard motors regardless of horsepower.

A third change is the exclusion of midget automobiles while away from the premises.

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Lea Not London Firm Director

In reporting the acquisition in the Oct. 30 issue of J. H. Lea & Co. by R. H. Gore Co. of Kentucky, it has been pointed out that it was indicated Mr. Lea is currently a director of Hogg, Robinson, Capel-Cure (Overseas) Ltd., whereas Mr. Lea ceased being a director of that firm when he left London in 1949 to organize J. H. Lea & Co. in Illinois.

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Employers Mutuals of Wausau have appointed William J. Christy field sales manager of the Kansas City branch. He will operate out of Des Moines, succeeding James E. Finch, who has been transferred to Kansas City.

Uphold Adjusters Who Won Jury U&O Loss To The Penny

U. S. court of appeals for the seventh circuit has upheld a district court decision awarding $52,497 to Quality Molding Co. of Chicago in a business interruption loss. The company claimed that American National Fire and 11 other insurers should have paid $94,000.

The court of appeals thus upheld the victory of the insurers in a jury trial, the $52,497 being the precise figure calculated by the adjusters, Ross Richards of Western Adjustment and L. E. Jenkins of L. E. Jenkins & Co. The adjusters thus where upheld exactly by the jury and the court of appeals.

Alvin G. Hubbard of Hubbard, Hubbard and Dorgan, represented the insured, and John P. Gorman of Clausen, Hirsh, Miller & Gorman, represented the insurers.

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Patrick H. Bowers has been appointed art director for Employers Mutuals of Wausau.

Insurance Teachers Hear Prediction Of Social Security Changes

(CONTINUED FROM PAGE 1)

cussion naturally proved to be of more interest to either fire and casualty men or those in the life business, some held vital interest to both. Among these latter was a paper by Robert J. Myers, chief actuary social security administration, Department of Health, Education and Welfare, delivered in a seminar held Monday morning, "Current Developments and Problems in Insurance," Mr. Bickley presiding.

If some of the expansion for social security advocated by "influential students" of it were to be effected, serious question could be raised as to whether there would be any sizable role remaining for private coverage, Mr. Myers declared.

Redefinition Might Result

Redefinition of social security's floor of protection concept to a significantly higher level and certain types of added benefit protection such as raising benefit levels for a single person to 50% of his recent earnings are among the expansions that might result in the stifling of private insurance, Mr. Myers stated.

However, he said, moves as drastic as these are not likely to have serious consideration "at least as to full action, in the immediate future; although attempts might be made to reach these goals on a step-by-step basis."

Discussing other possible changes in old age and survivors' benefits, the actuary declared that if public opinion on desired changes were measured by the number of bills introduced in Congress, "the popularity leader by an overwhelming margin would be repeal or drastic liberalization of the retirement test."

The major reason for the retirement test is that the program is designed to provide protection against presumed loss of earnings arising from risks covered in the program. "This basis insofar as retirement benefits are concerned naturally differs from private insurance which necessarily provides annuities at a prescribed fixed age," he stated.

Cost consideration is important in connection with the retirement test. If benefits were to be made payable at age 65 regardless of retirement, it would add about 1% to the payroll tax on a level-premium basis, he said.

Costs Somewhat Higher

Turning to the Forand bill, Mr. Myers recalled that early estimates indicated a level-premium cost of slightly over ½% of payroll but that unit-cost figures subsequently have indicated somewhat higher costs. "But proponents," he said, "have expressed complete willingness to provide the contribution rates needed. It should be mentioned that cost estimates for the hospitalization benefits have been made by the insurance industry that indicate considerably higher costs than our figures, primarily because of assuming considerably increased utilization rates."

Other proposals mentioned by Mr. Myers under the heading, "Future Changes," included raising primary benefits (and thus all benefits); keeping the present benefit formula by raising the minimum monthly primary benefit from $33 to $40; increasing the taxable earnings base to $6,000; paying benefits to now-excluded categories such as survivors of fully-insured workers who died before 1940 and benefits for aged, unmarried sisters; modification of family employment provisions; payment of benefits beyond age 18 if a child is in school; providing benefits for dependent widows under retirement age if they are disabled; making the widows' benefit 100% of the primary benefit; lowering the retirement age to 60 or even 55; and allowing those who work past retirement age to add increments to their benefits.

Discusses Public Attitude

Mr. Myers also discussed the attitude of the general public and Congress toward the program and the effects of social insurance on inflation. He said there seems to be general agreement that social insurance benefits should provide only a minimum floor. But he admitted there is a wide diversity of opinion on how far apart the floor and roof should be. "The middle ground, perhaps," he said, "is that benefits . . . in combination with other income and assets should be sufficient to yield a reasonably satisfactory minimum standard of living for the great majority of individuals. Then, any small residual group with unmet basic needs should be provided for by supplementary social assistance."

Financial Misunderstanding

Perhaps the most significant public misunderstanding has been in regard to financing the program, he said. There have been charges that the system is financially unsound because it could not pay off if it were terminated.

"Under a national compulsory social insurance system, continuity of operation can be assumed," he stated. "The test of financial soundness is whether the proposed future income from taxes and from interest on investments will be sufficient to pay the anticipated expenditures." Viewed in this light, Mr. Myers said, "the OASDI system has always been estimated to be substantially in actuarial balance."

In the traditional and always interesting "Seminar on Insurance Research," (John F. Adams, Temple University, was chairman this year), Michael T. Wermel, California Institute of Technology, reported that of 415 companies participating in a survey on the role of management in retirement preparation, all recognized some measure of responsibility toward employes who would retire, but most frequently this responsibility was directed toward the financial aspects.

There was a wide divergence of opinion on what properly constitutes a retirement preparation program. Some even objected to such programs on the grounds they are paternalistic and constitute invasion of the workers' privacy, Mr. Wermel said. Of the companies participating in the survey, 92½% advocated distribution of retirement planning booklets, but only 59% are actually engaging in the activity.

Interested Companies Surveyed

Because it was deemed desirable to survey companies most likely to have given some attention to the problem, Mr. Wermel reported, firms contacted and participating were "those that would be characterized as large from the standpoint of employment and volume of business." Hence, they did not constitute a representative sampling in any true statistical sense, he warned.

Laurence J. Ackerman, University of Connecticut, reported that 31 college insurance instructors participated in the fellowship program of AAUTI during the preceding summer. Under the program, teachers are placed in home offices for either general or specialized instruction in actual operations. All but three of the 1959 participants indicated a desire to reenter the program in 1960.

Companies offering 1959 fellowships were State Farm Life; Continental Assurance; Universal Life, Memphis; Metropolitan Life, San Francisco; John Hancock; Northwestern Mutual; Kansas City Life; New England Life; Provident L&A; Southwestern Life; Gulf Life; Republic National; Equitable Society; Trinity Universal; Connecticut General; Security Mutual; Fireman's Fund; Hartford Fire; State Mutual; New York Life; Pacific Mutual; Indianapolis Life; Life of Georgia; Great Southern Life, and Provident Mutual Life.

Engaged In Struggle

The insurance business today is engaged in a struggle between those who represent the traditional way of handling insurance and those who are applying modern tools and techniques, Ambrose B. Kelly, general counsel Associated Factory Mutuals, said in a paper devoted to property insurance.

After discussing the explosive growth of the market for personal insurance and the advantages of the direct writing companies, Mr. Kelly said, "The independent agent has about the same chance of competing as the corner grocer had when he came up against chain store competition. The exceptional one can; the average one cannot."

Reappraisal Ensued

Under the pressure of competition and the O'Mahoney hearings, the fire business is engaged in an "agonizing reappraisal of its own rating practices, Mr. Kelly said. This includes a restudy of rating schedules, and consideration of more and better statistical data analyzed by new electronic computers.

Stock companies are revising the advisory rate making machinery which makes the policy decisions across the country in order to secure tighter control and lower cost. At the same time, independents wish to use the bureau experience and data as the basis for their own independent filings or deviations from the bureau rates, Mr. Kelly said.

Since such independent filings and deviations are most practical in those types of insurance which are subject to class rating and to package policies, it is in this field that rate competition is growing, he stated.

American Casualty Has All Lines Training Program For Agents

American Casualty is holding a series of seminars for agents during the winter and spring in each of its 59 branches. The seminars are being held concurrently in casualty, property and A&S lines.

Designed as sales and underwriting courses, the seminars will acquaint the agency force with every type of coverage. Seminars have already been held in 26 cities.

The A&S seminar at the central Pennsylvania branch in Reading had the largest attendance of any meeting to date.

To Refile N. C. Auto Rate Based On Two Year Formula

North Carolina Automobile Rate Administrative Office will refile for an increase in private passenger liability rates of about 11% to 13%, based on two years' loss experience. Commissioner Gold earlier refused a filing on 19.9% which was based on one year's experience, the first year of compulsory auto insurance in the state.

Following a special meeting of its governing committee, William F. Laughlin, manager of the rate office, said that the filing will be made early in January. It will include a repeated request for a 15.2% decrease in commercial vehicle rates and a 1.1% increase in garage liability, both of which filings Commissioner Gold indicated he would approve. These filings were based on two years' experience.

Spradlin Named Florida Managing General Agent

Employers Casualty has appointed Milton M. Spradlin of Tampa managing general agent for Florida.

Powers In No. Cal. Field

United Pacific has appointed William P. Powers special agent for fire and inland marine, traveling the San Francisco bay area and the south coast.

Agents in Illinois who have represented Freeport Ins. Co. for 25 years were invited to the home office last month for an anniversary celebration. C. M. Fish, president, presented each of the veteran agents a pen desk set at a banquet at Freeport Country Club.

The 25-year agents are pictured above. In the front row, from left, are F. B. Bartsch, Maywood; George McDonald, Virginia; Cliff John, Sterling; Elmer Riess, Mascoutah; W. E. Kratovil, Berwyn; James W. Rowe, Earlville; F. W. Hartman, Chicago; E. C. Dickler, Dwight; Philip Allison, Gardner; Ralph Picken, Rockford; Monical Berry, Olney. In the back row, Roland Riess, Mascoutah; Donald Riess, Mascoutah; Robert Schiemer, Columbia; Carl Schiemer, Columbia; F. N. Ireland, Washburn; William Lemenager, Kankakee; E. A. Johnson, Annawan; T. E. Taylor, Divernon; H. J. Campe, Matteson; E. C. Peterson, Batavia; Lyman Lindley, Hutsonville; O. M. Wright, Sumner; P. B. Carlson, Batavia; Jack Waffle, Rockford.

Compact Car Rate Reductions

(CONTINUED FROM PAGE 2)

loss frequency more than 80%. The premium reduction on windshield is $6.41 plus $1 on side glass, a total of $7.41 which equals 40% of the comprehensive premium in the Michigan area. These figures hold true on both the Falcon and Valiant.

Fewer parts. The number of parts on the front end of a Corvair that are subject to damage on the most common type of collision (55 to 60% front end) are about half the number on a 1960 Chevrolet. Examination of the entire car would suggest its simplicity of design would require only about 60% of the number of parts required in the larger Chevrolet.

Less expensive parts and labor. This chart shows the increasing cost of parts and labor for a Chevrolet two-door. The retail price and flat rate labor is shown in total for the 10 most commonly collision replaced parts which are front bumper, radiator, grill, front fender, hood, door, quarter panel, deck lid, rear bumper, and windshield. The last column shows the average collision repair cost on all cars taken from the records of one of the 20 largest auto insurance companies.

YEAR		LIST PRICE	LABOR	TOTAL COST	AVERAGE COLLISION REPAIR COST
		$	$	$	$
1947		225	82	307	125
1948		235	82	317	
1949		330	152	482	
1950		320	150	470	
1951		325	182	507	
1952		360	130	490)	
				)	180
1953		375	190	565)	
1954		385	202	587	
1955	(V-8)	435	185	620	
1956	(V-8)	525	223	748	
1957		600	245	845	
1958		630	180	810)	
				)	300
1959		685	205	890)	
1960	Corvair	436	105	541	

To this is added the Corvair parts and labor costs. It is not claimed this chart reflects accurate repair costs comparisons but must be interpreted only as a guide. Two comparisons are worthy of special notation.

The total Corvair figure of $541 is 40% lower than the 1959 Chevrolet of $890.

It also compares with the 1952-53 model period when the average repair cost was $180 which is 40% less than the 1959 figure of $300.

The Ford Falcon chart is in the same range. Valiant prices were not available at the time of this writing.

Free accessory package. The $400 average accessory package will probably be reduced to $150 and all are non-vulnerable-to-damage parts such as radio, heater and automatic transmission. No easily damaged assemblies like power steering, brakes, windows, seats or air conditioners for 1960.

BI and PDL savings? Reduced horsepower is a factor that is hard to evaluate in lower insurance costs. There is no question but it is a big factor. Reduced speed at all levels—especially reduced excessive speeds—top speed of Corvair (80 mph) won't be comfortable or very desirable for sustained operation. The car is highly maneuverable, has good acceleration, good low speed passing and ease of handling are all favorable to accident prevention or reduction.

It is interesting to note that these cars are a return to size and wheelbase and especially the horsepower rating of 1948-49 models. In this period, the average collision repair bill was $125 and has increased today to $300 before applying a deductible.

Severity of damage in a collision involving a Corvair weighing 2,350 pounds vs a Chevrolet at 3,850 pounds deserves consideration. The horsepower and weight factors for the rating of these cars deserves consideration, opinions and advice.

The big three car manufacturers are once again assuming their number-one obligation to the public. They are fulfilling the role that made them great in the first place. They are building regular sized cars—only big by comparison with imports—only small by comparison with our present oversized automobiles. The very fact that they fill such a basic need will assure the sale of millions of them in the years ahead. Future volume production of these cars (as opposed to some decrease in production of larger sized cars) will create a greater price differential between them which is a restricting sales factor at present. They will offer increasingly larger percentages of the automobile insurance market.

Excluded from the above rate discussions is the American Motors Rambler which deserves consideration. Special study should be given the Lark as it is the only compact with frame construction. Excluded are foreign imports as a class as they introduce costly factors such as mismatched bumper heights which offer little protection, collision repair parts shortages in areas or for low volume cars and unfamiliar repair procedures. Open sport cars with high speed performance in spite of low horsepower rating should be excluded in lower rating.

American compacts should enjoy a rate reduction. The above facts and figures substantiate a 10% reduction on BI and PDL. Comprehensive coverage should enjoy a much greater saving. Collision coverage would indicate a 30% saving. This is not possible because there must now be a charge-back for the plus cost of repairing unitized construction.

Unitized repair research will be discussed next week. This plus repair cost will be presented on a percentage basis so it will clearly spell out the rating challenge of these new cars.

New, New HO Approved In Ark. As Of Feb. 29

LITTLE ROCK—The new, new homeowners coverages, filed by Arkansas Inspection & Rating Bureau, have been approved for Arkansas effective Feb. 29. Commissioner Combs' order, however, stipulated acceptance of the filing "with the reservation that this approval of revised rates does not imply approval of any specific distribution of the elements of the premium dollar nor abridge or restrict the freedom of contract of agents and insurers with reference to commissions." This proviso in the order was prompted by a "rate filing memo" accompanying the filing which stated that "the premiums and rates set forth in this filing, which basically are related to the rates for specific policies, contemplate an expense factor of 34%, a profit, catastrophe and contingency factor not exceeding 6%, and a balance point loss ratio of 60% (including loss adjustment expense)."

Rochester Elects; Two Are Past Presidents' Sons

Donald R. Consler was elected president of Monroe County Assn. of Insurance Agents at its annual meeting in Rochester, N. Y. Rolla Patton Jr. was named vice-president, Edward Dakin treasurer, Roger B. Welling secretary, and Miss Rachel Swaim assistant secretary.

Romine Foster, James Duffus, Joseph Heyer, Lawrence Markin and Mr. Welling were elected directors.

Mr. Consler is the son of Robert E. Consler, past president of the Monroe County association, and Mr. Duffus is the son of Roy Duffus, past president of that group and of the New York state association.

Buckley Not Kurt Hitke V-P

In the Dec. 18 issue it was erroneously reported that John H. Buckley had been elected a vice-president of Kurt Hitke & Co., effective Jan. 1. The company that should have been given is Midland National. Mr. Buckley joined Midland National in 1955 and was elected a director in 1957.

New Handbook Of Kansas Published

A new Underwriters Handbook of Kansas has just been published by the National Underwriter Company. It provides complete and up-to-date information on the agencies, companies, field men, general agents, groups and other organizations affiliated with insurance throughout the state. Copies of the new Kansas handbook may be obtained from the National Underwriter Company at 420 East Fourth Street, Cincinnati 2, Ohio. Price $12.50 each.

Harold L. Todd, former vice-president and manager of the Carlson-Todd agency of Rockford, is now doing business as Todd & Co. Inc. in Rockford.

Conventions

Jan. 28-30, Federation of Insurance Counsel, mid-winter officers meeting, Mountain Shadows resort, Scottsdale, Ariz.

Feb. 4-5, Conference of Mutual Casualty Companies, fire meeting, Conrad Hilton Hotel, Chicago.

Feb. 15, Insurance Economics Society, executive committee, Drake Hotel, Chicago.

Feb 17-19, Michigan agents, midyear, Sheraton Cadillac Hotel, Detroit.

Feb. 18-20, Texas mutual agents, midyear, Commodore Perry Hotel, Austin.

Feb. 22, West Virginia I-Day, Daniel Boone Hotel, Charleston.

Feb. 22-24, National Assn. of Surety Bond Producers, annual, Boca Raton Hotel, Boca Raton, Fla.

March 3-4, Washington agents, midyear, Marcus Whitman Hotel, Walla Walla.

March 10-11, Conference of Mutual Casualty Companies, underwriting meeting, Conrad Hilton Hotel, Chicago.

March 10-12, Tri State mutual agents of Pennsylvania, Maryland and Delaware, annual, Pittsburgh Hilton Hotel, Pittsburgh.

March 15, New Jersey agents, midyear, Stacy Trent Hotel, Trenton.

March 17-18, Ohio mutual agents, annual, Manger Hotel, Cleveland.

March 27-29, National Assn. of Insurance Agents, Southern territorial conference, Arlington Hotel, Hot Springs, Ark.

March 30-31, Pacific Insurance & Surety Conference, annual, Riviera Hotel, Palm Springs.

April 1, Pacific Coast Advisory Assn., annual, Riviera Hotel, Palm Springs.

April 6, New Hampshire agents, midyear, Manchester Country Club, Manchester.

April 7-8, National Assn. of Casualty & Surety Agents, midyear, St. Anthony Hotel, San Antonio.

April 10-12, Mississippi mutual agents, annual, Buena Vista Hotel, Biloxi.

April 23-27, National Assn. of Insurance Agents—National Board of State Directors, midyear, and Midwest territorial conference, Netherland Hilton Hotel, Cincinnati.

April 24-26, Florida mutual agents, annual, Fort Harrison Hotel, Clearwater.

April 27, Insurance Brokers' Assn. of State of New York, annual luncheon, Pierre Hotel, New York City.

May 1-3, Iowa agents, annual, Blackhawk Hotel, Davenport.

May 2-3, Minnesota mutual agents, midyear, Pick-Nicollet Hotel, Minneapolis.

May 5-6, Conference of Mutual Casualty Companies, claims meeting, Conrad Hilton Hotel. Chicago.

May 8-10, Alabama agents, annual, Stafford Hotel, Tuscaloosa.

May 8-10, Pennsylvania agents, annual, Hotel Hershey, Hershey.

May 9, National Assn. of Mutual Casualty Companies, annual, Edgewater Beach Hotel, Chicago.

May 9-11, American Mutual Insurance Alliance. annual, Edgewater Beach Hotel, Chicago.

May 9-11, National Assn. of Independent Insurance Adjusters, annual, Broadmoor Hotel, Colorado Springs.

May 9-12, National Assn. of Insurance Brokers, annual, Ambassador Hotel, Chicago.

May 10, Assn. of Casualty & Surety Companies, annual, New York.

May 12, National Independent Statistical Service, annual, La Salle Hotel, Chicago.

May 13-14, Oklahoma agents, annual, Mayo Hotel, Tulsa.

May 14-16, New York agents, annual, Concord Hotel, Kiamesha Lake.

May 15-17, Virginia & District of Columbia mutual agents, annual, Shoreham Hotel. Washington, D. C.

May 15-18, North Carolina agents, annual, Carolina Hotel, Pinehurst.

May 16, Vermont agents, spring meeting, Woodstock Inn, Woodstock.

May 16-18, Health Insurance Assn., annual, Statler Hilton Hotel, Dallas.

My 17-18, Illinois Bureu of Casualty Insurers, annual, St. Nicholas Hotel, Springfield.

May 16-18, Insurance Accounting & Statistical Assn., annual, Sherman Hotel, Chicago.

May 17-18, Illinois Bureau of Casualty Insurers, annual, St. Nicholas Hotel, Springfield.

May 19-20, Arkansas agents, annual, Arlington Hotel, Hot Springs.

May 19-21, Texas agents, annual, Austin Hotel, Austin.

May 25-27, National Assn. of Independent Insurers, workshop, Jack Tar Hotel, San Francisco.

May 26, National Board of Fire Underwriters, annual, Commodore Hotel, New York.

May 28-June 1, American Assn. of Managing General Agents, annual, Sea Island, Ga.

May 30-June 3, National Assn. of Insurance Commissioners, annual, Fairmont Hotel, San Francisco.

June 9-11, Florida agents, annual, Fontainbleau Hotel, Miami Beach.

June 12-15, Conference of Mutual Casualty Companies, management conference, Park Palace Hotel, Traverse City, Mich.

June 16-17, Wisconsin mutual agents, annual, Schwartz Hotel, Elkhart Lake.

Report European Insurance, Reinsurance Results And Prospects

(CONTINUED FROM PAGE 5)

sons and mainly for fixing appropriate insurance conditions for those risks through appropriate international legislation, the German pool is the sole appropriate body to carry this through. Later, when experience is gained and the insurance of reactors is based on experience, the matter may have to be reconsidered. Meanwhile this does not apply to the risks resulting from isotopes and other similar risks."

The position taken in other European countries is similar. However, in the marine business in London and the U.S. such risks are or will be handled through normal channels.

European Solution Sought

Comite European des Assurances is a group which does not seek publicity. It is studying, when it meets, a good many things. When members tackle any one question it is with the intention of finding a European solution, even if no one asks for it. Since a large number of countries are involved (17, with Great Britain an onlooker), it can be appreciated that progress must be very slow indeed.

The European Common Market provides matters for discussion. For example, several working parties have been formed to consider questions that arise from the underwriter's point of view. BIPAR has its own committee. Many meetings have been held in the course of 1959.

The rules applying in the U.S. could very well serve as an initial basis. This would imply that in the main, brokers would be authorized to place business with any one underwriter authorized to have, and to maintain, an underwriting office in any country of the common market. It is apparently this first step that is to be proposed. With this, it should be possible to retain within the common market a large volume of premiums and commissions which heretofore have been exported from those countries.

Committees dealing with the point of view of insurers have a much more complicated notion about the prerequisites needed before there can be full freedom of operation by underwriting offices within the frontiers of the common market. The Utopian idea of uniform insurance legislation and uniformity of controls constitutes the main difficulty. To this may be added that, unless reinsurances are curtailed, it is not so certain that when all underwriting facilities available are applied in full, there is, or will be, enough business to make it worth while for underwriters to provide for all the inhabitants of the six countries involved.

Allstate Venture In Switzerland

It is most unlikely that measures will be taken that in one way or another will curtail the freedom of choice of insurer that now applies. Any curtailment of freedom that may arise under present circumstances would rather be self-imposed and would derive from too narrow national mindedness. That, where it exists, is the greatest contributor to nationalism in insurance.

This brings up the new venture in Switzerland of Allstate. The fact that a foreign company, flying the Swiss flag for convenience, intends to introduce new methods in the quiet waters of Swiss insurance has caused a big stir. This has been stimulated by an insurer run by Swiss nationals and Swiss capital, which considers that the costs of management on motor car insurance are too heavy. It will be interesting to see if these two facilities gain a foothold in a country whose inhabitants are rather national minded.

Are costs of the motor car insurance business excessive? Apparently in other quarters there is similar thinking. In Federal Germany, where rates of premium are fixed by the government authorities, it has been suggested in an official way that underwriters should reduce their overhead expenses by five points (from 30% to 25%). By law in Germany motor car insurers are bound to share their profits with insured and also provide a no claim rebate. This compares with careful driver plans in the U.S.

In France, attempts are being made to form, for the benefit of employes of industries, a mutual insurer to handle motor car risks at a lower expense ratio and reduced rates. From France comes the news that underwriters are awake to the high cost of small claims in automobile insurance. Claims result from approximately 80% of accidents reported, though small claims account for only about 20% of total claim payments.

In Great Britain, where most motor vehicle owners are covered against the risk of physical damage through accident, knock for knock agreements exist between insurers which result in each underwriter shouldering the insured, regardless of liability.

Situation In France

In France, and in other Continental countries for that matter, PHD cover is the exception. Here claims are settled with the possibility of legal liability influencing more substantial indemnities and much heavier costs, even where no legal proceedings have been initiated.

Again in France, from a reinsurance point of view, fire business is not bright, though improvement is anticipated. But automobile insurance is producing unsatisfactory results practically everywhere. Marcel Henry, president of a French group of casualty insurers, explained before the international group at Monte Carlo why French motor car business was very much in the red—increasing costs of claims and inflation. However, prospects for the future are more promising; 1959 will see a very much enhanced premium income owing to a very important increase in rate on two wheeled vehicles, now all insured under the compulsory law. In addition, the number of vehicles on the road has increased. Notwithstanding this, he explained, French accident experience is good. In Germany there are 264 accidents per year per 1,000 vehicles, in Belgium 440, in Italy 467, and in France 252.

These figures should be read with caution, however, since if the statistics originate with insurers, it is quite possible that accidents may be reported for each of the vehicles involved.

List Average Claims Cost

The general average of claims cost in 1952 in France was 37,000 French francs and in 1957 57,000. The corresponding figures in 1958 will show an increase of about 15% over 1957. But premiums are estimated at 20% higher in 1958. The following are the claims compared with premiums: 1952, 70.9%; 1953, 72.5%; 1954, 78.1%; 1955, 84.7%; 1956, 78%; 1957, 75%; and 1958, 71%.

These are rough estimates since the runoff of each account is unknown. But whatever the final result, for the time being over-all the results from French outgoing reinsurance is in the red. Not all French insurers have the same results. Undoubtedly there are still in France underwriters who can navigate in troubled waters.

German Insurers' Report

The rather bulky annual report issued by Union of German Insurers on 1958 business shows that total premiums of all insurers operating in Federal Germany increased by just over 12%. The claims record improved in practically all lines. For example, the fire loss ratio dropped from 48.4 in 1957 to 45.6 in 1958; third party liability from 72.09 to 70.4; personal accident from 58.5 to 54.8; and motor car, including third party liability, from 68.7 to 67.4. Two lines that have a high catastrophe hazard, windstorm and hail on growing crops, showed deterioration—the wind ratio rose from 18.6 to 41 and hail from 79.5 and 87.6.

German fire premiums increased less than in previous years, due mainly to stability in costs of living and a reduction in factory and commercial rates. The latter have been reduced over-all since 1949 by 16% as a result of risk improvement. Motor car premiums (including third party liability) account for about 30% of the total premium income (including life) of German insurers, while fire and other damage insurance represent only 16% of the total. Fire accounts for only 9.6% of the total.

The report points out that the number of road accidents is on the increase and that this is very much in the minds of the insurers and authorities. Accidents are traced back to certain classes of motor cars, buses, motorcycles, lorries and other commercial vehicles including self drive services.

Indemnity Reduction Suggested

Will this lead to a reduction of indemnities granted? That might indeed be the solution—strict liability but with smaller indemnities, as is the case in aviation insurance.

As for aviation insurance, the German aviation pool now reinsures aviation accident policies.

Results on German reinsurance of fire and allied lines were profitable but on motor car risks, ocean marine and liability business the reinsurance experience was unsatisfactory. It should be noted that risks are normally not spread through coinsurance in that country; therefore reinsurance plays an important role in spreading German risks.

The experience of Continental insurers and reinsurers shows that on business from abroad ocean marine was normally bad and aviation business from some countries was unsatisfactory. Fire business from the U.S. and Canada has improved, but is still in the red. The situation is unsatisfactory on business in Egypt, France, Turkey and Cuba. In Italy, where U.S. companies operate, ocean marine and fire insurance in 1957 together accounted for a total premium comparable to those applying to third party and casualty business. In Italy the claim record was 119% on ocean marine, 93% on third party liability, and 62.89% on fire. Italian business has a peculiarity in that insurers add to the premiums a large sum supposed to represent expenses, and normally reinsurers do not receive credit for these "additionals."

In 1958 Continental reinsurers have

M&M Promotes 10 In Three Cities

Marsh & McLennan has elected 10 men to the newly created office of senior vice-president.

Named to the post are Robert C. Borwell, Irvin E. Houck, Albert A. Morey and David W. Shand at Chicago; Donald R. McLennan Jr., at Pittsburgh; and Theodore W. Bailey, Muscoe R. H. Garnett, John Holbrook, Alfred P. Jobson and Walter A. Schwindt at New York.

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Hanson-Rickard agency of Neenah, Wis., has been formed by the merger of the agencies of Harold R. Hanson and E. L. Rickard. The new agency, which started operation under that name Jan. 1 and is located at 110½ West Wisconsin Avenue, also has purchased the business of H. C. Hilton, local agent at Neenah since 1900, who has retired.

not felt any improvement in the run of their business. From reports it looks as if the bulk of professional reinsurers and those primary insurers that operate an important reinsurance department show underwriting losses that have been, however, wiped out by earnings on investments.

If generally the net account is in the red, along with reinsurances or retrocessions on the same business, how long can the present method of massive reinsurances continue? Much business is accepted by primary writers for the sake of increasing premium, even if in this way they reduce the over-all profit. This is technically unsound.

A word about aviation business. The congress in Seville of International Union of Aviation Insurers indicated such insurers have many technical problems related to developments in aircraft. An appropriate rate of premium is assessed with difficulty. There is a prospect of the introduction of self insurance on a massive scale. However, there is still a restricted market for this business, which results in massive reinsurances involving enhanced costs. There is a prospect in the U.S. of increasing the market. Aviation risks normally are excluded from reinsurance treaties, only specialized underwriters can cope with them. This is true also to a degree in crop hail insurance, though there are no problems in that field of the magnitude of those that arise in aviation insurance.

Elect Shaft President Of Milwaukee Claim Managers

Milwaukee Casualty Insurance Claim Managers' Council has elected E. C. Shaft of Glens Falls Indemnity president. M. T. Lee, Lumbermens Mutual Casualty, is vice-president and Philip Rouse, National Union, secretary-treasurer.

General Re Promotes Savard

General Re has promoted Hassel J. Savard to assistant secretary. He joined the company in 1957 as A&S underwriter.

Mr. Savard started his career with John Hancock Mutual Life in 1940. Prior to joining General Re he was superintendent of A&S department of National Fire.

Reviews Reinsurance Changes In Decade

(CONTINUED FROM PAGE 6)

reinsurance cedings in the future of the American reinsurance market, some factors that point up the importance of foreign reinsurers must be considered. In recent years, the growth of unadmitted foreign reinsurers, the majority of which operate as primary writers in handling American business, has been of pronounced importance. Moreover, U.S. branches of foreign companies have operated successfully here for years. It is generally agreed that they have afforded needed markets, despite the fact that the profits of their operations do not necessarily remain in this country. In past years, there was a considerable lack of capital in both the insurance and reinsurance fields. London Lloyds for years provided the greatest capacity to American insurers. Despite a slight drop in 1955 and 1956, American reinsurance cedings abroad have increased from $129.7 million in 1950 to $234.2 million in 1957.

Need Of Foreign Cover

A good example of the constant need of foreign reinsurance markets is the General Motors' fire in 1953—with an insured damage of $30 million, of which $18 million was covered by London Lloyds. A large catastrophe in another area was the liability on the SS Andrea Doria, which was fortunately spread worldwide. The complexity of reinsurance is shown in one aspect of the settlement of this case. Two American reinsurers paid our $2,665,859. They had partially reinsured insurers in London, who in turn had reinsured Italian insurers for a $10 million share of the total hull insurance of $76 million. From this example, it can be seen that reinsurance is bound to spread risks as widely as possible for technical and economic reasons. This principle becomes even more important when we consider that since 1957, nuclear power has begun to be developed for peaceful purposes. Insurance must play a significant role in paving the way for nuclear industry. International insurance cooperation will be most important in the atomic age.

U. S. reinsurers are facing new problems and challenges, and while no radical alterations are envisaged for the future, reinsurance generally will continue to expand. Moreover, foreign markets will continue to be important for potentially large losses—nuclear ships, etc.—which could become catastrophic. Foreign reinsurers will continue to be important in handling large accumulations of small risks, which could comprise a catastrophic volume of small losses. An example of the latter is the hurricane of 1954, which involved small claims totaling some $350 million. Fortunately London Lloyds had a considerable amount of reinsurance on this business.

It is obvious by now that the American market regards foreign cessions with favor. American insurers need the foreign reinsurance market to help their own business. However, American insurers have expressed dissatisfaction with the "advantages" that London Lloyds has had in acquiring reinsurance. London Lloyds has been the largest reinsurer of American business in the past few years. Over 85% of the $234,200,000 ceded to foreign reinsurers in 1957 went to England, and the bulk of this business was handled through Lloyds.

U.S. Insurers Restive

In 1953, North America filed a protest with National Assn. of Insurance Commissioners on Lloyds tax free status, while domestic companies were heavily taxed and regulated. North America said: "There was, perhaps, a time when American underwriters had neither the financial capacity, the underwriting experience nor the legal authority to assume risks against which the American public needed protection. Today, the first two of these conditions no longer exist, and the third could be removed overnight by legislators and regulatory officials."

Actually, legal authority to compete with Lloyds on even terms had already been given in part, as multiple line laws were in force in all but two states in 1953. However, American insurers lacked Lloyds freedom on contract forms and rates.

Although Lloyds can profit from any unusual risk, strict regulations make it impossible for American reinsurers to do this kind of underwriting. It is obvious that many American risks might have gone begging without the facilities of Lloyds.

American Casualty Names Seven In Claim Changes

American Casualty has appointed as field supervisors in the home office claims department George S. Grimm, formerly claim manager of the central Pennsylvania branch, and Oliver W. Frey, formerly assistant claim manager at Atlanta.

Herbert L. Protheroe, claim manager at Milwaukee, has been transferred to Reading to replace Mr. Grimm. Mr. Protheroe is succeeded at Milwaukee by John R. Lyons, formerly a claim adjuster at Detroit.

Also named claim managers were William G. Conlin at Los Angeles, Robert Wilson at Charlotte, and William J. Kays at Greensboro.

Allstate Makes Eight Changes

Allstate has appointed Edward J. Blackburn and William H. McAlpine district sales managers at Detroit. Other appointments include Daniel Begley, sales development manager at Philadelphia; Robert B. Sheppard, sales manager at Pasadena, Cal.; William L. Herrmann, policy services manager of the midwest zone; Glen Wasson, sales manager at Menlo Park, Cal.; Robert G. Hewlett, services manager of the national accounts department, and Roy L. Born, assistant underwriting manager at Milwaukee.

Okla. Department Is Under Merit System, Hunt Issues Bulletin

The Oklahoma attorney general has advised Commissioner Hunt that his department, with the exception of the commissioner, the chief deputy, one private secretary and the other members of the state insurance board, are subject to the merit system enacted by the legislature this year.

Mr. Hunt has issued a bulletin to department members listing the prohibited political activities, but explaining that the department staff retains the right to vote.

The bulletin concludes by informing department employes that they may display a political picture in their homes if they desire. "To those of you that have been in the insurance department less than two years, it will be necessary that you take an examination for the position held by you," Mr. Hunt states. "If you do not obtain a passing grade in the examination, you shall be dismissed from your position within 30 days, excluding annual leave, after the establishment of a list of eligibles for such position. I hope you pass.

"Wishing each and every one of you a Merry Christmas and a Happy New Year."

Restore Some Benefits In Medicare Program

The Department of Defense has liberalized the availability of the medicare program administered in the midwest and south by Mutual Benefit H.&A.

Certain benefits eliminated in 1958 have been reinstated for eligible dependents of servicemen. Treatment of surgical conditions while hospitalized will be authorized at government expense with a few exceptions. The restored program also includes inpatient care for acute medical conditions and limited care for acute emotional disorders constitutiong an emergency.

Outpatient treatment is provided for fractures, dislocations, lacerations and other wounds. There is also an allowance of $75 for diagnostic tests and procedures prior to hospitalization for surgery or injury and a limit of $50 for necessary tests or procedures authorized for the proper post-hospitalization care.

The permit for authorized care from a civilian source is not required in cases of a bona fide emergency, but is still necessary for civilian care of non-emergency cases when patient and serviceman reside together.

A spokesman for Mutual of Omaha estimates the liberalization will increase 20-25% the number of patient claims to be handled.

Sims In New Post

American Casualty has appointed Harold Sims production manager at Atlanta. He was formerly in the general agency business in Baton Rouge.

Seattle CPCUs Pick Pitts

Northwest chapter of CPCU at Seattle has elected Spencer M. Pitts president. Other officers are Cornelius Jensen, vice-president; S. H. Melrose Jr., secretary, and Douglas Lane, treasurer.

Problems Of WC And Auto And How Reinsurers Have Met Them

(CONTINUED FROM PAGE 7)

sively higher BI and PDL auto limits to protect the interests of the driving public. This has had the most profound effects on reinsurers, for in most cases, a large portion of excess limits have been ceded to them. The rates for excess limits have been traditionally low. Many reinsurers have shared heavily in auto loss experience. An inequity between income and outgo obviously exists. As long ago as 1950, it was noted that conditions of the past few years have thrown completely out of gear what in the past was considered an equitable division between the primary company and the reinsurer. Coupled with adverse experience there has been a continuing trend and demand for higher limits of coverage, the premiums for which are in no way commensurate with the risk involved.

Ways To Improve Experience

Various methods are available to reinsurers to improve experience in unprofitable lines, but essentially there are four major methods which have been used to make workmen's compensation and automobile liability lines more palatable to reinsurers.

The most logical approach is to raise rates to a reasonable and adequate level to meet losses. Reinsurance rates are not strictly regulated, as are the rates of primary insurers. Reinsurance rates must obviously be tied to those of the primary company. Because the former's rates are closely regulated by state authorities, reinsurers' rates are indirectly controlled.

Competition must also be considered; it does not permit the reinsurer to establish unrealistic rates for the portions of risks assumed from ceding companies. Reinsurance rate indications then, to an extent, are determined at the time the rates applicable to primary companies are promulgated. Rate increases were effected by reinsurers in 1947, 1948, and 1949, based on adverse experience. Since then, rates have gradually edged up. It may be said, then, that although closely allied, reinsurance rates are not strictly tied to the primary writers' rates.

Certain automobile reinsurance treaties are based on increased limit factors for premium determination. Because these tables have long been far too low for the risk involved, many reinsurers are reluctant to assume high limits at such low rates. Efforts must be made to raise these limits, for if reinsurers don't get the excess up enough and fast enough, many small companies are going to be fresh out of reinsurance.

Other Methods

Rates, then, are not the only method that the reinsurer may depend upon to improve his loss ratios. In both automobile and WC business, rates are important, but must be used in conjunction with other methods.

In both WC with the unlimited medical feature, and automobile liability, reinsurers for some time after World War II were absorbing a great deal of the risk that should have been carried by the primary insurers. In WC, this was not so much because the latter were trying to avoid a part of the liability but rather because neither insurers nor reinsurers anticipated the losses that the unlimited medical feature of the coverage would bring. Not until the normal lag period of determining experience had passed, did both groups see what problems had actually been created.

Effects Felt Gradually

The effects of poor auto experience were felt only gradually. As the trend was established to provide increased limits to meet current judgments, little more than basic limits were retained by ceding companies. It was obviously shortly thereafter that increased participation by primary writers was necessary.

By raising retentions, the reinsurer may accomplish two things that may improve loss ratios and experience factors. The raising of a retention on a line generally has a direct effect on the underwriting of the primary insurer. It behooves that company to study more carefully the risks it accepts, because it has more to lose in retaining a greater portion of the risk. Cautious and enlightened underwriting is important to the over-all experience of both the primary writer and the reinsurer. For example, the former may carry on more strenuous safety-engineering activities, which may be of great importance in WC. Such increased service may be triggered by the increased retention. By advising insured of proper safety precautions, industrial accident levels may be lowered.

Elimination Of Losses

A second way in which increased retentions may improve reinsurer experience is through elimination of such losses. Increased retentions make reinsurance function as it theoretically should.

The sliding scale commission also is used to make reinsurer underwriting profitable. Since the end of World War II, the sliding scale has been used in both the fire and casualty business, but has apparently been more successful in the latter. This arrangement in a reinsurance contract provides that a provisional commission be paid by the reinsurer to the ceding company at the beginning of the policy year. This commission is then adjusted at the end of the period, either up or down, as reflected by the actual experience of the ceding company.

Inversely Proportional

The commission factor is inversely proportional to the loss ratio, with a minimum and maximum commission agreed upon. For example, the commission might be geared so that for each two points the loss ratio rises above the provisional loss ratio, the commission is reduced one point, until the commission reaches the minimum as set forth in the contract. Extremely good or bad experience, which may not be reflected in the current year's commission adjustments, may be carried forward and applied to the experience of the following year, or the year after that in some cases, so that the maximum equity between loss ratios and commissions may be attained.

Flexibility Used Up

Such a method, however, cannot be considered a "cure-all." In 1957 The National Underwriter noted that one reason the casualty business was perhaps slightly in the black was the built-in safeguard of sliding price. This is an adjustment-to-condition factor. However, the reinsurers at that time indicated that about all of the flexibility that had been built in has been used up on the casualty as well as the fire side.

By combining increased retentions and sliding scale commissions, the reinsurers are actually loss rating the primary companies. Benefits from improved experience for which a ceding company should strive are derived from reinsurance agreements by reducing the costs of reinsurance, and from a lowering of retentions in successfully underwritten lines.

Aside from the obvious methods of relieving the financial burden of high loss ratios, a recent innovation has aided reinsurers in properly reserving losses which have occurred. This is done by investigation of losses that primary writers have on their books, but have not reported to the reinsurer. The latter may at some point be a participant in such losses, and by advance study of these claims, proper reserves may be initiated. Since rates are determined for the most part on a judgment basis, they may more accurately portray the immediate loss experience of the reinsurer by incorporating into the trend factors the most recent loss information that is available from primary insurers.

These various techniques are the most immediate answers to the problems of current insurance-reinsurance relations. However, loss ratios continue to rise, and what the future may hold for reinsurers must be pondered.

In the past several years, pessimism has been increasing among insurers and reinsurers. There are factors however that might be cause for optimism—though they are not often mentioned in current discussions.

Generally Rising Price Level

Inflation is no longer a force that can be watched with detachment. The U.S. must anticipate a generally rising price level. Periodically, this has been slowed, but the rise has continued steadily since the very beginning of the free enterprise system. A recent survey made for the government by Professor Goldsmith of New York University indicates that creeping inflation has existed in this country for 80 years and was actually more acute in 1879-1919 than in 1919-1959. For the entire period between 1839 and 1959, prices have increased on the average at the rate of 1½% a year.

The reinsurance business, in common with others, must find ways to meet this rising level. One great advantage lies in the realization that it is a continuing condition. Judgments of future action may be made, anticipating this factor. In casualty covers, retentions of ceding companies will continue to rise in future years, for dollar values of future losses will continue to increase. In this manner, the reinsurer may tend to balance out the effects of inflation upon losses.

The rising retentions will not adversely affect the ceding companies. As surpluses grow from increased premium volume, companies will be in a position to retain a greater portion of their writings on a realistic basis. The important point is that a dynamic and growing business will adjust to the conditions it faces in this economy.

GAB Appoints Managers At Boston, New Bedford

Philip M. Percy has been appointed manager of the Boston office of General Adjustment Bureau, and Howard C. Schleeweis, manager at New Bedford, Mass.

Mr. Percy succeeds Walter V. Hatfield, retired. After experience with GAB at Portland, Me., Worcester and Boston, Mr. Percy was named manager of the newly opened Brockton, Mass., office in 1951. He became manager at Manchester, N. H., in 1954 and was transferred to Boston as assistant manager in 1955.

Mr. Schleeweis, who succeeds the late R. C. Turner, joined GAB in 1947 at New Bedford, and was named manager at Hyannis, Mass., before his promotion to assistant manager at New Bedford in 1956.

Two Supervisors Named By Harleysville Mutual

Harleysville Mutual Casualty has promoted Laverne M. Ziegler to supervisor of its new sentry division, and William D. Chappell to supervisor of allied lines—underwriting.

Mr. Ziegler who was formerly senior underwriter, joined the company in 1955. Mr. Chappell, formerly field auditor and inspector, joined the company in 1951.

Automation Study Shows Need Of Careful Planning

(CONTINUED FROM PAGE 4)

tion which company people often do not have the training and experience to evaluate.

Once it is decided to undertake a study, it should be carried out with great care. An elementary or superficial study may produce an incorrect answer or a theoretically right yet greatly oversimplified answer which may set the company off on a most undesirable course of action. The study should be performed primarily as an analytical inquiry into the company's operations and only secondarily as a means of answering the question, "Can we use a machine?" If this is not done, the study tends to lose its objectivity, and many areas of difficulty may be brushed aside with unfortunate results later. It is much easier to be realistic at this stage, when the degree of company risk is small, than to face up to an inefficient and uneconomic patchwork operation after the computer has been delivered and installed.

Vital Questions

The major questions to be answered by the successful study are operational feasibility, economic attractiveness, initial and subsequent areas of application, etc.—and the reasons for their importance are quite clear. Several other questions, which sound rather routine, should also definitely not be overlooked:

1. Is a system which meets the tests of operational feasibility, economic attractiveness, etc. acceptable to the supervisory personnel and management group who are to work with it? Stated in another way, do the supervisory and management personnel really understand enough about what they are improving "in principle" so that they will not later reject the system "in practice"?

2. Is the machine delivery geared to a realistic systems development schedule rather than to the manufacturer's machine availability schedule?

3. Is the company capable of assembling (and willing to assemble) a staff with the ability necessary to carry out the program?

These are not easy questions to answer, often rather unpleasant to face up to, but, as both successful and unsuccessful installations in many companies amply indicate, questions which will have to be answered whether or not they are ever openly asked. They are also questions which are far better answered by a top-flight group during the decison-making phase than in the heat of coping with problems of detailed development and installation.

Need For General Understanding

The success or failure of an EDP installation depends to a greater extent than many EDP groups would like to admit, upon the understanding and cooperation received from top management and from the key individuals throughout the company who are affected by the new method of electronic data processing. Good work by the EDP group in the technical aspects of the project is not enough.

Failure to appreciate the importance of an educational program which reaches many levels and groups of officers and employes, has often had serious consequences.

In one company, for example, every proposal for an EDP application was promptly matched by a counterproposal to perform the same work on tabulating equipment. The tabulating supervisor had not been consulted by the EDP group during its investigations, had little concept of the way in which the computer would operate, and was seriously concerned that it would not satisfactorily perform the required work. Since top management, as well, did not really understand the workings of the proposed EDP system, it felt it was necessary to evaluate fully all the counter proposals which the tabulating machine supervisor suggested. This resulted in protracted conferences and became a very costly diversion of time and effort by both the EDP and the tabulating group. All this took place in spite of the fact that a careful preliminary study had shown that the use of EDP equipment was desirable. The most effective single factor in improving the situation ultimately proved to be a course of instruction in EDP operation attended by the tabulating supervisor.

Further Examples

In another company with an inadequate educational program, the EDP group, after a fairly long but unpublicized study, produced a series of charts showing how the work could be performed on the electronic equipment. During this study, it reviewed the charts with the department heads to see if they were accurate and complete. In almost all of the departments, the supervisors, having but a hazy idea of the capabilities of the equipment, agreed completely with the work flow outlined in the charts. They even went so far as to initial the charts to signify their approval. Based on these charts, the EDP group made cost and savings estimates and presented its report for management action. The report was accepted and, when the programing was complete, the computing system which the group had recommended was installed. Work began to flow from it. Almost without exception, the departmental supervisors declared their dissatisfaction with the product they were receiving.

Add Extra Requirements

Extra requirements were added which meant that the program had to be altered with great frequency. Management had virtually no knowledge of the length of time required to prepare the original programs and the difficulties involved in constantly revising them. It, therefore, not only supported the departments in their requests for extensive and immediate changes, but even brought pressure upon the EDP group to develop still further applications. The old programs, under constant change, became patchwork with a high error rate, low efficiency, and a computer usage far beyond initial expectations. The general picture became one of a management highly dissatisfied with computer operations. Lack of an adequate educational program was largely responsible for this condition.

Fear For Jobs

Among other undesirable conditions for which a lack of training, education and orientation is largely responsible is the drop in morale in the affected departments when the aims of an EDP program are not announced and company policy is not clearly defined. People fear for their jobs, unpleasant rumors spring up, turnover increases, and a period of inefficiency and instability ensues. A forthright statement of what is hoped to be achieved through the use of EDP equipment, and, to the extent possible, an assurance that no one presently employed will lose his or her job because of the installation of the equipment, will help to avoid this difficulty.

A frank admission of the difficulties of conversion and the inefficiencies which are present in almost all installations during the early operating stages is also most valuable. It is one thing for a company to understand that problems and difficulties in the initial stages are normal and will be worked out in due course; it is quite another for key executives to evidence anger and concern that the system itself is at fault and should immediately be scrapped.

N. Y. Brokers Decry CPL Limitations; Dislike Policy Language, Declarations

Greater New York Insurance Brokers Assn. has filed a complaint with the New York insurance department regarding the comprehensive personal liability policy language and the effect of declarations on insured. A National Bureau filing on the policy, including revisions and rate changes, is currently before the department. On Dec. 2 the filing became effective in all but a few states.

Must Consider Exposures

The brokers are not questioning rate changes, but point out that in arriving at a premium, consideration must be given to the exposures that are involved. Accordingly, they have asked for an opportunity to discuss the policy form with the department.

The association states that bureau spokesmen and many authorities in the business consider the declarations to be representations, as distinct from warranties. Nevertheless, it has been the tradition of rating bureaus in general that it is beyond the limits of their authority to interpret policy contracts. They maintain that each company must do so. Thus, the door is always open for suits when a company indicates its intention to litigate the question of whether or not the declaration may be given the weight of a warranty.

Flaws In Declarations

The brokers feel that if the declarations are representations, that the interests of insured would be better served if the policy form said so. The brokers note that auto PHD forms must be imprinted to make certain that insured do not jump to the conclusion that such policies afford third party protection.

As part of its concern, the association points to the declaration which stipulates that "there are no elevators, inclinators or escalators at the premises." The CPL is written to insure many tenants occupying apartments in buildings with self-service elevators. Such is the broad definition of premises that a statement of "no exceptions" is not correct. The brokers believe that it can readily be determined that only a tiny percentage of policies written under such circumstances contain any clarifying modification. Yet, in terms of self-service elevators, there is always the possibility of insured being involved in a claim that could raise questions of coverage.

In connection with the policy definition of business property, an exception is made for the "occasional rental of insured's residence," the association letter continues. But there are a great many situations where insured will rent his apartment—his city quarters or perhaps a secondary country residence—for some extended period of time. The bureau should promulgate clarification in this respect.

It is contemplated that there be inserted in the declarations, at the option of an individual company, a statement as to whether or not any insurer has cancelled similar insurance issued to the named insured during the past three years, the brokers observe. They feel that this declaration would impose a burden on insured out of proportion to the necessarily limited number of situations where such information might be vital to underwriting judgment. Because of market conditions there have been, in recent years, a disproportionate number of policy cancellations having no direct bearing on the immediate insurance under consideration.

Other Observations

One company may package a CPL with its automobile form and decide to "recall" because of adverse automobile experience. The CPL coverage is inherent to a number of package forms. These are frequently cancelled for reasons having no bearing on CPL. Again, policies are sometimes cancelled because of company-producer relationships, for reasons having nothing to do with a particular coverage. The introduction of the declaration regarding CPL, which has not previously appeared in the policy form, is a backward step. The bureau should support its introduction of this declaration by documenting cases wherein the interests of the insuring company have been adversely and improperly affected because of the absence of such a declaration.

The association told the department that it has raised a question with the bureau as to the exclusion dealing with midget automobiles while away from the premises or the ways immediately adjoining. It expressed its concern to the bureau that the policy definition of midget automobile is almost self-serving, but not defining. The responsibility of wording should rest with the bureau and, of course, be subject to the approval of the department. A definition that would limit the horsepower, the dimensions, the compression or other factors should be developed.

The association observed that no matter how the department chooses to treat the mechanics of its complaint, the procedure followed should prove of considerable interest because of the peculiarity inherent in New York's system of prior approval of rates as required under its insurance law.

South Bend-Mishawaka Agents Elect Cassady

Thomas Cassady has been elected president of South Bend-Mishawaka Assn. of Insurance Agents. John Keller was elected vice-president and Allan Varner secretary-treasurer.

L. Allen Beck agency of Denver has moved to suite 1838, First National Bank Building.

Three Associations Back Agent Award For A&S Persistency

Life Insurance Agency Management Assn., International Assn. of A&H Underwriters and National Assn. of Life Underwriters will make available for the first time during 1960 an institutional award for the A&S field, which will be given to agents who qualify with a high persistency rate on A&S contracts they have written.

The award—the Health Insurance Persistency Award—will be given in "recognition of quality service to the public as evidenced by an excellent record of maintaining in force and extending the benefits of health insurance," LIAMA said.

Where To Get Applications

A qualifier must be a member of one of the two sponsoring agent associations, and will receive his award certificate from whichever association he belongs to. An application blank for the award will appear in the January issue of IAAHU's Accident & Health Underwriter and copies will be made available from local NALU associations and from the headquarters of both agent associations.

To win the 1960 award, the applicant must have, for each of the years 1958 and 1959, paid A&S business of not less than $2,500 of annualized premiums on at least 18 policies. Premiums that are paid weekly, monthly, quarterly, semi-annually and annually will count towards qualification. At least 85% of the amount exposed in the two-year period must be in force on Dec. 31, 1959.

May Have Changed Companies

Agents who have changed companies within the two-year period are eligible to apply by completing a special application in addition to the regular one.

Detailed rules are covered in the application blank. Coverages which qualify in determining the volume for the minimum exposure to lapse are disability income (both accident only and A&S); hospital and surgical (individual and family); major medical (also individual and family), and medical reimbursement, including principal and capital sum for accident only.

Policy types which qualify are noncancellable and/or guaranteed renewable; commercial (renewable at the option of the insurer), and industrial.

Closing Dates

The closing date for agents' filing completed applications with their home offices is Feb. 29; the closing date for home offices to file certified applications with the proper agents' organization is March 31. Winners probably will be announced sometime in May.

Correspondence concerning application blanks should be addressed to the organization of which an agent is a member——National Assn. of Life Underwriters, 608 13th Street, N.W., Washington 5, D.C., or International Assn. of A&H Underwriters, 330 South Wells Street, Chicago 6, Ill.

Aetna Life Companies Name Bardo, Perkins

William F. Bardo has been advanced to secretary in the comptroller's department of Aetna Life, Aetna Casualty and Standard Fire. He joined the organization in 1941 and was in the personnel and the group division where he became assistant superintendent. He was later transferred to the planning department and was named assistant secretary in 1956.

Frederick P. Perkins, senior vice-president of Aetna Life, has been elected a director of the three companies.

American Raises Scott, Goedewaagen, Wagner

American has advanced Arthur J. Goedewaagen and Carl T. Wagner to superintendents in the head office fire and marine underwriting department. Mr. Goedewaagen will supervise fire underwriting for the southwest and the west coast. Mr. Wagner will be responsible for the southeast, the east coast and Canada. Robert R. Scott has been named superintendent in the head office bond underwriting department.

Mr. Goedewaagen began his insurance career in 1939 in the general agency business in San Francisco. He became a special agent for London Assurance in 1950, and was later named executive special agent for that company's Pacific Coast office. In 1955 he became fire and marine manager for American at San Francisco and in 1957 he was named an assistant superintendent at the head office.

Mr. Wagner, with American since 1926, was in fire underwriting and special risk underwriting until 1941 when he became active in analysis and survey work. Later he was in the Pennsylvania field. In 1956 he was transferred to the head office fire underwriting department and in 1957 he was promoted to assistant superintendent.

Mr. Scott began his career in 1948 with American Surety in New Jersey. Later he was bond manager for Employers Liability at East Orange. He joined American in 1957 as a bond underwriting supervisor at the head office.

Four TV Commercials For Subscribers To 1960 Big I

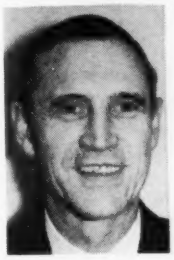
National Assn. of Insurance Agents will make four one-minute television commercials available to members who subscribe to the 1960 Big I advertising program.

The four commercial films feature testimonials from well known personalities such as Stan Musial, baseball star, and Donald I. Rogers, financial editor of the New York Herald Tribune. Full details on the cost of the films and the messages they contain will be available in the advertising tie-in kits that will be sent out in January to Big I subscribers.

Floyd Rice, agency management committee chairman of National Assn. of Insurance Agents addressed the annual Christmas party of Laurel Highlands (Pa.) Assn. of Insurance Agents. He stressed the importance of agency management in view of need for economies.

Geo. F. Brown & Sons Makes 3 Staff Changes

Geo. F. Brown & Sons and the two companies it manages—Interstate F.&C. and Chicago Ins. Co.—has made three staff changes.


R. T. Wagner


Robert W. Bird

Robert W. Bird has been elected a vice-president of all three organizations; Raymond T. Wagner has been promoted to assistant vice-president of these companies, and L. D. Sheldahl has been appointed assistant treasurer-secretary of Interstate and Chicago.

Mr. Bird, who currently heads the production department and has served in various departments of Geo. F. Brown and the two companies, joined the agency in 1951 and before that was with Zurich. Mr. Wagner, who is in charge of the property insurance division, was formerly with America Fore group for many years. Mr. Sheldahl, who is also an assistant treasurer of the Brown agency, was formerly manager of the audit department of Price Waterhouse & Co. for eight years.

Society Of CPCU Issues 1960 Edition Of Annals

Society of CPCU has issued the 1960 edition of its official publication, the Annals. It includes the papers presented at the CPCU seminars in Los Angeles last September.

Four CPCU chapter special study projects deal with the psychological factors affecting industrial accidents; an appraisal of the safe driver insurance plan; bailee problems, and property and liability exposures. A special paper covers the insurability of sonic boom.

The issue is available at $3 from Society of CPCU, 3924 Walnut Street, Philadelphia 4.

Ledford Succeeds Ritgerod As Ark. Field Club Chief

LITTLE ROCK—James Ledford, Home, was named chairman of Arkansas Field Club for 1960 at the December meeting in Little Rock. He succeeds Henry A. Ritgerod, L. V. Martin & Co. general agency.

John K. Cook, U.S.F.&G., is vice-chairman.

The club, now in its 51st year, is the oldest weekly luncheon group in the city of Little Rock.

Donovan V-P Of J.&H.

Charles L. Donovan Jr. has been elected a vice-president of Johnson & Higgins. He joined the firm in 1956 as an account executive. For 10 years prior to that he had been with Goffe & Griswold, New York brokerage firm, which became part of Johnson & Higgins in 1956.

The **Whitlatch** and **McCleary-Jones** agencies of Springfield, O., have merged and will operate as the Whitlatch agency. George F. McCleary will be chairman, and Robert W. Leedy president.

Robinson Feted By Phoenix Of London

A testimonial dinner at the Waldorf-Astoria Hotel in New York was held for John R. Robinson, retiring president and U.S. manager of Phoenix of London. His successor, William C. Harris, was toastmaster and presented Mr. Robinson with complete TV equipment for his new home in California, a magic eye camera, a clock, and a bound volume of letters from his associates.

Evans Presents Paintings

David J. R. Evans, general manager of the group's world wide operations, spoke and presented Mr. Robinson two original paintings by de Breanski from the directors of Phoenix Assurance.

W. Fred Ballou, executive vice-president of Phoenix of London, presented a gift for Mrs. Robinson, and Ralph M. Sketch, manager of the group's Canadian operations, conveyed greetings from Canadian associates.

More than 40 members of the home office and field staff attended the function.

Eight Promotions By America Fore

Frederick A. Blencowe has been named a secretary in the financial and investment department, and Rudolph Perchal has been appointed assistant secretary of the America Fore companies. Leon D. Salottolo, formerly manager of the field real estate department, has been appointed an assistant secretary of the America Fore Loyalty companies. George A. Kugler has been appointed superintendent of the data processing division of all companies of the group.

At Chicago, George M. Bowlus, formerly assistant secretary, has been advanced to secretary of the America Fore Loyalty companies. William D. Thompson, formerly general adjuster, has been promoted to assistant secretary of the America Fore fire companies.

At San Francisco, Sheridan J. McCarthy, formerly superintendent of the bonding department, has been named assistant secretary of Fidelity & Casualty and of the domestic Loyalty companies. Stuart C. Juiffre, formerly superintendent of the casualty department, has also been appointed an assistant secretary of F.&C.

Careers Traced

Mr. Blencowe joined Continental in 1953. Before that he was with Guaranty Trust Co. of New York and with Wood, Struthers & Co., New York investment brokers. Mr. Perchal began his career with Continental in 1921. He was transferred to the financial department in 1926.

Mr. Salottolo joined F.&C. in 1928. When America Fore established the field real estate division in 1954, he was appointed manager. Mr. Kugler joined America Fore in 1931. He was named superintendent of F.&C.'s statistical department in 1946.

Mr. Bowlus began with the group in 1929. In 1949 he was named personnel manager in the western department. He was appointed an assistant secretary of America Fore companies in 1957 and of the Loyalty companies in 1959. Mr. Thompson was with a Lexington, Ky., agency before joining America Fore in 1947. In 1951 he was named assistant general adjuster in the loss department at Chicago, and in 1955 he was advanced to general adjuster.

Other Careers

Mr. McCarthy began his insurance career in 1945 with Hartford Accident. In 1953 he went with American Auto. He joined America Fore in 1956 at San Francisco and in 1958 he was placed in charge of the Pacific Coast bond department. Mr. Juiffre joined America Fore in 1941. In 1947 he was transferred to Richmond, Va., becoming casualty superintendent there in 1948. He was later transferred to the Pacific department as casualty superintendent of F.&C.

Financial General Group Promotes Collins And Stoll

Financial General group has made promotions in both Northeastern and Hawkeye-Security.

Richard C. Collins has been elected a vice-president and board member of Northeastern. He will head the sales and underwriting departments. Mr. Collins joined the group in 1937 and for the past several years has headed the fire and inland marine underwriting division of Hawkeye-Security.

Charles Stoll will succeed Mr. Collins. Mr. Stoll has been division assistant. He joined the organization in 1951 as New York state agent after 27 years in sales and underwriting.

George Edwards Advanced

Eagle Fire has advanced George A. Edwards from chief accountant to assistant secretary. He began his career in 1947 with Pearl. He joined Eagle Fire in 1957.

Sheffer-Cunningham Has Change

Sheffer-Cunningham, adjusters with head offices at Wichita, is changing from a partnership to a corporation, and assuming a new name, Claims Inc. The corporation will be headed by the present partners, Orville A. Sheffer as president, and Hughes C. Cunningham as secretary-treasurer.

Report Reviews Actions Of State Legislatures For Casualty Insurers

A summary of 1959 state legislative developments, affecting the casualty and surety business is contained in the annual report of the law department of Assn. of Casualty & Surety Companies.

The report, by Robert N. Gilmore Jr., general counsel of the association, reviews activities related to adjusters, automobile and aviation insurance, claims, fidelity and surety business, nuclear energy, producers, regulation of insurance, taxation and workmen's compensation.

On automobile insurance, Mr. Gilmore said that the program promulgated a year ago by the industry advisory committee on the uninsured motorist problem has been well received. No new compulsory or unsatisfied judgment fund laws were passed, except in the Virgin Islands, although three mandatory UM statutes were enacted.

Majority Adopt Program

The industry program for strengthening financial responsibility laws was adopted as presented in two states, and with some variations in three other states. It was vetoed in one state, Mr. Gilmore reported.

This year, 50 legislatures, including Congress and those of Puerto Rico, and the Virgin Islands, were in regular session, and nine in special session. The association's law department followed over 9,200 bills, of which 1,734 were sent to member insurers as bill memoranda and 1,527 as "now law" memoranda, with tests of the new laws.

More frequent sessions of state legislatures are occurring. In 1950, for example, there were 14 regular sessions (two limited to budget sessions) and in 1960 there will be 24 regular sessions including seven budget sessions.

State Insurance Codes Revised

The trend towards revised insurance codes is also gaining. New codes were adopted this year by Arkansas, Florida, and Montana, but the proposed new code in Georgia was carried over to the 1960 session, and failed in Alabama. New code studies were authorized in Idaho, Maryland, Missouri and New Jersey.

The report, which also covers nonlegislative matters, cites a number of cases in which the association, in some instances cooperating with other organizations, intervened as amicus curiae. Among these were cases dealing with plaintiffs' attorney's estimates of dollar amounts for pain and suffering, and others pertaining to disclosure of policy limits.

Redmon Retires In Ky.: Causey Succeeds Him

Jack E. Redmon, state agent in western Kentucky for Camden Fire, has retired after 18 years with the company. John W. Causey, who has been associated with Mr. Redmon at Louisville, has been named to succeed him.

In the Detroit section of the new 1959-1960 **Underwriters Handbook of Michigan** an incorrect phone number is given for the Transportation Underwriters Inc. of 15800 West McNichols Road. The correct number should be Br 2-0223 instead of Ve 7-9005, which incidentally is the residence telephone of an employe in the office.

Boston Advances 11 In Many Localities

Boston has elected as home office assistant secretaries Stephen Goodwin, William W. Nickerson, and William C. Woodside. John S. Pearce, former manager at Chicago, has been advanced to manager of the San Francisco regional office to supervise northern California, Idaho, Montana, Utah, Oregon, Washington, Hawaii and Alaska.

Named resident secretaries were William D. Cameron, Lansing; Carl F. Fry, East Orange, N.J.; DeWitt A. Meyers, Cleveland; Charles F. Mist, Toronto; H. Bradley Sexton Jr., Philadelphia; Wellington H. Simpson, New York City, and H. Beach Ward, Boston.

Mr. Goodwin joined the company in 1951 and has been manager of the casualty underwriting department. Mr. Nickerson has also been with the company since 1951, most recently as chief accountant.

Mr. Woodside joined the company in 1936 and has been active in all phases of fire underwriting.

Mr. Pearce had local agency experience before joining Boston in 1951. In 1954 he became assistant fire manager at Chicago, and later that year advanced to manager.

Mr. Cameron, with the company since 1924, had extensive field experience in the western department. He was named assistant secretary in 1953. Mr. Fry joined Boston in 1948. He was fire manager in New York before becoming regional manager at East Orange. Mr. Meyers was with American before joining Boston in 1945. Before going to Cleveland, he was in the western department as an assistant secretary.

Mr. Mist has been manager of the Canadian department since 1956. Mr. Sexton has been with the company since 1947. Mr. Simpson, with the company since 1945, has been manager at New York.

Mr. Ward, a 41 year veteran with the company, held various underwriting, production and supervisory positions prior to his election as assistant secretary in 1951.

Agnes A. McGee senior branch secretary of General Adjustment Bureau at Portland, Me., has retired. She joined the bureau in 1925.

Tavern Case Raises Liability Cover Questions

(CONTINUED FROM PAGE 1)

mon Lustig, proprietors) and El Morocco Cocktail Bar, all in Newark—were also involved in the action and it was an appeal from a lower court order dismissing them which got to the supreme court and made the headlines.

Nichols, then about 18 years old, was involved in an automobile collision in Newark early in the morning of Nov. 15, 1957, in which Rappaport was killed. Rappaport's estate sued Nichols and also the four taverns, charging that Nichols had visited them before the accident and had been served liquor there, in spite of knowledge that he was a minor, and hence that the sale was illegal, and that the accident occurred because Nichols had become intoxicated as a result of this illegal conduct. The trial court granted a summary judgment dismissing the case as to the four taverns, on the ground that New Jersey law did not make them liable under the circumstances. The supreme court reversed this holding and sent the case back for trial.

No Such Legislation

The opinion of Judge Jacobs, in general, pointed out that there is no "dram shop" legislation in New Jersey and that New Jersey courts up to that time had not imposed liability upon tavern operators for damages resulting from the sale of liquor to minors and intoxicated persons, with some clash of holdings in other states. During prohibition days there was a civil damage law in New Jersey which imposed liability for compensatory and punitive damages upon unlawful sellers of alcoholic beverages, but this law was repealed in 1934. There is, however, a statutory prohibition of sale to minors and this is buttressed by a regulation of the New Jersey division of alcoholic beverage control which prohibits service to or consumption by a minor or by any person "actually or apparently intoxicated." The court thus concluded that violation of these restrictions, plus the common law concept of negligence, was sufficient to impose possible liability upon the taverns.

There is at present no judgment against the taverns, since the case has not been tried on its merits. It is not known whether any or all of the taverns are protected by insurance or whether any attempt will be made to settle the case out of court.

Liability of tavern operators and other people in the liquor business has been a touchy insurance problem for many years, but it has attracted attention mostly in states having "dram shop" laws, which specifically impose this liability upon tavern operators. The Illinois law is probably the best publicized, both because of the heavy exposure in the Chicago area and because it is even more sweeping than the usual law of this type, reaching owners of property where liquor is sold—even though the owner is an absentee landlord and does not know who his tenants are. Prior to 1955, liability policies in Illinois, Michigan and a few other states known to have this legislation were routinely endorsed to exclude liability under these laws. Ever since repeal, there has been a market for special liquor liability insurance in states where needed, though the market frequently is spotty and subject to considerable rate fluctuation, as experience varies from year to year.

When general liability provisions were standardized in 1955, there was incorporated in all forms an exclusion of "liability imposed upon the insured or any indemnitee, as a person or organization engaged in the business of manufacturing, selling or distributing alcoholic beverages, or as an owner or lessor of premises used for such purposes, by reason of any statute or ordinance pertaining to the sale, gift, distribution or use of any alcoholic beverage." Most independent insurers have incorporated a similar exclusion into their policies.

In all probability, the incorporation of this general exclusion was triggered by a series of cases in Connecticut in the early 1950s. These cases, of which American Surety vs Rodek (128 Fed. Sup. 250) is typical, upheld liability under a statute in that state which had been dormant for many years and also required liability insurers to provide coverage against this exposure under policies which had no specific exclusion. There was a similar situation in Pennsylvania in which an 1854 statute was brought up in Manning vs Yokas (132 Atl. (2nd.) 198), although this statute was repealed after the accident had occurred but before the Manning case was decided. Since this development in Pennsylvania, there has been considerable speculation over whether the standard exclusion, referring specifically to "liability exposed by" a "statute or ordinance pertaining to the sale, gift, distribution or use of any alcoholic beverage" would apply to liability which can be traced to violation of a statute which prohibits something—such as sale to a minor—but which does not specifically impose monetary liability upon the offender. The New Jersey situation poses this question. It apparently has not been raised in court as yet. Many underwriters and claim executives believe that the accepted practice of giving the insured or claimant the benefit of any argument over an insurance policy makes a holding in favor of coverage probable and that the exclusion should be rewritten, if companies do not wish to assume this risk.

The publicity given in the New Jersey decision will undoubtedly stimulate claims and suits of this type and thus speed an answer.

Editorial Comment

Agency Profit Sharing

Several insurers, stock and mutual, have brought out plans for the sharing of profits with agencies. Some of these are a year or more old. They mark, along with the renaissance of company entertaining at agency conventions, a revival of competition for business in the multi-company agency, after several years in which many companies were cutting back some agencies and cutting off others, and in which generally the agency companies were regarding their distributors with a critical eye.

But the word is out that several major agency insurers will launch similar agency profit sharing plans with the new year or shortly thereafter. As one company man put it, "we are now right back where we were seven to 10 years ago."

However, the plans introduced in the past year and the new plans being readied for introduction represent a considerable departure from the plain contingents, the five points more contracts, or combinations of the two, which were characteristic of the past.

The contracts today are more elaborate. They apply more standards. They are graded. They have standards of volume, efficiency, and loss ratio. They may also pay an added percentage for an increasing volume. This could come from increased sales or from a larger share of the agency's present volume.

Such plans are not new; in fact, one or more of similar character made their appearance 10 years ago. But they are new as a general thing, which they seem to be going to become.

One criticism of the straight contingent is that it simply costs the insurer more money. By no means all of the agents who hold such contracts are going to earn a contingent with a loss ratio of less, say, than 40. Many will have loss ratios that put the company in the red for those agencies. The company will not only have to pay those losses—and the regular commission on the business that produces the losses—in addition, it will have to pay the contingent, an extra commission, to those agencies that earn it. In a time of poor loss ratios, the past five years, for example, the contingent simply meant a larger underwriting loss for the insurer.

However, in the troubled recent years of pull and haul, jawing and counter-jawing, between companies and agents, the company and agent agreed on one thing: The good agent should get paid more than the poor agent—because he is worth more. He is worth more on the basis of volume, which involves expenses; efficiency, which represents a cost factor that is hard to find and harder to weed out or reduce; and loss ratio, which reflects the savvy of the agent and the trouble he takes in selecting his business. Hopefully, the extra earnings for increasing volume will stimulate agents to increase sales. However, whether it does or not, the larger the volume, other things being equal, the more chance the insurer has of earning more from the business of that agency.

In a time of tough competition that shows many signs of getting tougher, it may seem to companies to be a poor occasion on which to do anything that will tend to increase the insurer outlay for any of the business it writes.

But the competent agency, faced with rising costs and the same tough competition as the insurer, feels entitled to some consideration. This is particularly important in a day when there are so many factors impelling the agency toward representation of fewer insurers.

Though it may be too much to expect, it appears at this juncture that if the insurer is firm in the application of the standards in an agency profit sharing plan, the plan can serve as an effective method of competing with other agency insurers for business. Such a program could even have the effect of making many agencies profitable for the insurer that presently are costing it money, and of making other agencies even more profitable than they are now.

Yet there is one concomitant of such a plan that the contract does not spell out. It implies, but does not state, that in order to make the program successful under any and all conditions, the insurer, after diligent effort, ought to get an agency up to some minimum standard of performance, not necessarily to the minimum of the contract sharing plan, or it should turn the agency loose. If it is paying more for the good performance, it cannot afford to pay so much as it has been doing for the poor performance.

If the standards of the profit sharing contracts are enforced, the insurer can hope to better its position and results. If they begin generally not to be enforced, the agency companies will be in poorer shape than ever to compete.

One thing is certain. The value of these plans has to be measured against the certainty that competition facing the agent and his company is going to go right on being tough.—K.O.F.

Personals

Richard K. Langan, head of the Louisville general agency bearing his name, suffered broken ribs, cuts and bruises from an auto accident near Paducah. He is recuperating at home following hospitalization.

Lyle B. Clark, who operates an agency at Moorhead, Minn., has been acclaimed Boss of the Year by Moorhead Junior Chamber of Commerce at the annual Bosses Night dinner.

William S. Youngman, board chairman of American International Underwriters Assn., will head the insurance industry drive in the $1 million national fund raising campaign of Foreign Policy Assn.

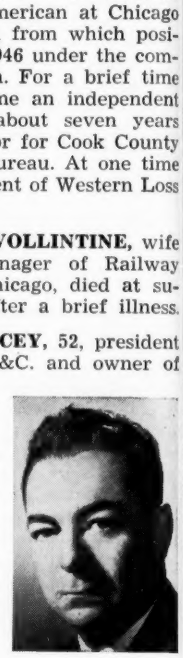
Deaths

BENJAMIN ZWEIG, 85, partner of the Zweig-Juhl agency, Chicago metropolitan supervising agents, died at St. Petersburg, Fla. A veteran of the Spanish-American War, he entered the business in 1890 and was a charter member of the Chicago Board. In 1928, he and others founded the Waidner, Power, Zweig & Lasch agency. Mr. Zweig remained active in his agency until his death.

JOSEPH A. McCLELLAND, 76, one of the old-time stalwarts of the claims end of the insurance business, died in a nursing home at Evanston, Ill. He began in insurance in 1903 with Illinois Inspection Bureau and in 1906 joined American Central as a loss clerk at San Francisco. In 1908 he went with Springfield F.&M. at Chicago, two years later becoming a special agent in Illinois and later state agent in Oklahoma for the old Phenix of Brooklyn. He became Missouri state agent for North British & Mercantile in 1919 and two years later went to Chicago as general adjuster for Fidelity-Phenix. In 1924 he was named manager at St. Louis for Underwriters Adjusting and remained in that post until 1929 when he became a vice-president of National Union. In 1931 he joined Great American at Chicago as general adjuster, from which position he retired in 1946 under the company's pension plan. For a brief time after that he became an independent adjuster and for about seven years was a claims auditor for Cook County Loss Adjustment Bureau. At one time he served as president of Western Loss Assn.

Mrs. JAMES L. VOLLINTINE, wife of the retired manager of Railway Underwriters of Chicago, died at suburban Hinsdale after a brief illness.

S. FOSTER YANCEY, 52, president of Southwestern F.&C. and owner of T. A. Manning & Sons, Dallas managing general agency, died at Dallas after a brief illness. He entered the business in 1929 as a special agent with Indemnity of North America and later went with Texas Employers, Employers Casualty and Commercial Standard. In 1936, he took over management of the Manning agency, which he purchased in 1938. Mr. Yancey organized Southwestern F.&C. in 1948. A brother, Charles S., was associated with him in his insurance enterprises.



S. Foster Yancey

FRANCIS J. BYRNES, 64, retired assistant manager of the metropolitan claims department of American Surety, died at his home in Ridgefield, Conn. He had been active in fidelity and surety, burglary and inland marine claims before his retirement in 1958.

KENNETH W. KEETON, 48, claims manager of Aetna Casualty at Grand Rapids, died of a heart attack. He joined Aetna Casualty at Chicago in 1941 and was at West Palm Beach and Lubbock before going to Grand Rapids.

WILLIAM E. WALKER, 77, agent at Cape Girardeau, Mo., died.

Mrs. ALMA L. DEICKE, 58, wife of Edwin F. Deicke, president of Suburban Casualty of Wheaton, Ill., died in Hinsdale (Ill.) Sanitarium.

HAROLD D. C. BANNISTER, 69, local agent at Genoa City, Wis., died at Madison following a long illness. He had operated his agency since 1921.

EARL W. KUNZ, 48, regional manager at Milwaukee of Badger Mutual, died of a heart attack. He had been with the company since 1955.

LESTER HEROLD, 59, former vice-president of Illinois R. B. Jones, Chicago, died in Veteran's Hospital after an illness of three years. Mr. Herold was with R. B. Jones for 17 years and more recently was with MacGibeny-Grupe and Mankin & Co.

ERNEST F. WAGNER, 60, who died

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Dec. 22 at San Mateo, Cal., was secretary of Phoenix of Hartford. He had been on leave of absence for reasons of health since Oct. 1. Mr. Wagner joined the company in 1917 in its loss department. He was transferred to fire underwriting in 1925, and was appointed special agent in 1934 covering eastern Pennsylvania, southern New Jersey, Maryland, Delaware and Washington D. C. He was transferred as agency supervisor of the new Pacific department at San Francisco in 1941 and was promoted to assistant manager. He advanced to resident secretary there in 1945 and secretary in 1946.

PAUL HAWXHURST, 76, for 55 years a member of the brokerage department at Chicago of Marsh & McLennan, died.

R. E. TURNER, 84, retired since 1954 as assistant treasurer of State Auto of Indiana, died at Indianapolis.

CLARE A. LEE, 70, former Oregon commissioner, died at his home in Portland of a heart attack. He was appointed commissioner in 1927 after having been a local agent for 19 years.

WILLIAM R. HOWARD, 77, Norfolk, Va., local agent, died at a business meeting in Richmond. He founded the agency in 1929. He resigned as state agent of North British at Richmond in 1918 to become a partner in Baldwin Bros. agency at Norfolk.

EDWARD T. HARRISON, chairman and founder of Trinity Universal, died in a Dallas hospital. He had been seriously ill with a heart ailment. Mr. Harrison practiced law before organizing Trinity Universal in 1926. He was president of the company from 1926 to 1949, when he was elected chairman.

ROBERT C. TRAUTMAN, manager of the underwriting department of Grange Mutual Casualty, died at Columbus after an illness of several months. Mr. Trautman joined Grange Mutual Casualty in 1955, having been chief rate analyst of the Ohio department for 12 years prior to that.

Stocks

By H. W. Cornelius of Bacon, Whipple & Co. 135 S. La Salle St., Chicago, December 29, 1959

	Bid	Asked
Aetna Casualty	204	210
Aetna Fire	76½	78
Aetna Life	84½	86
American Equitable	40½	42½
American (N. J.)	25½	26½
American Motorists	15	16½
American Surety	18½	19½
Boston	32½	33½
Continental Casualty	70	72
Crum & Forster	68	70
Federal	58	60
Fireman's Fund	51	52½
General Re.	91	93
Glens Falls	31½	32½
Great American	41½	42½
Hartford Fire	200	205
Hanover Fire	38½	39½
Home of N. Y.	52¾	53¾
Ins. Co. of No. America	130	132
Jersey Ins.	35	37
Maryland Casualty	36	37
Mass. Bonding	35½	36½
National Fire	141	Bid
National Union	36½	37½
New Amsterdam Cas.	48½	50
New Hampshire	49½	51½
North River	36¼	37¼
Ohio Casualty	29	30
Phoenix, Conn.	81	83
Prov. Wash.	20	21
Reins. Corp. of N. Y.	19½	20½
Reliance	48	50
St. Paul F. & M.	52½	54
Springfield F. & M.	30¾	31¾
Standard Accident	58	60
Travelers	86	88
U. S. F. & G.	34¼	35¼
U. S. Fire	28	29½

Ind. Approves Auto Merit Rating Plan

The National Bureau and National Automobile Underwriters Assn. auto merit rating plan has been approved in Indiana, effective Jan. 13. This is the same plan as that introduced previously by the two rating organizations in seven other states, except that the Indiana coverage has split limits, BI and PDL. The plan previously was put into effect in Iowa, Michigan, Minnesota, Missouri, Nebraska, Ohio and Pennsylvania.

Polley Retires As Hartford Fire V-P

Vice-president Arthur L. Polley of Hartford Fire has retired after nearly 40 years with the company.

Throughout his business career, Mr. Polley held major positions in organizations which have been instrumental in formulating policy for the business. He is the immediate past president of Eastern Underwriters Assn., and he was a member of committees of Inter-Regional Insurance Conference which has taken over EUA. He also served as vice-chairman of the IRIC executive committee.

Mr. Polley has held many influential industry posts. He was president, director and member of interim committee of National Automobile Underwriters Assn., chairman of the governing committee of Fire Insurance Rating Organization of New Jersey, vice-chairman of New England Fire Insurance Rating Assn. and chairman of rates, rules and forms committee. He has been active on committees of National Board and served on the governing committee of New York Fire Insurance Rating Organization.

He joined Hartford Fire in 1920 as a fire protection and rating engineer and from 1921 until 1935 served as a special agent. He was elected assistant secretary in 1935, secretary in 1940 and vice-president in 1945. He is a director of Citizens of New Jersey and Hartford Live Stock.

Hollick, Russell, New V-Ps, Have Had Long Royal-Globe Careers

F. Dudley Hollick, who has been named vice-president for administra-


F. Dudley Hollick


Graham L. Russell

tion of Royal-Globe, began his career with the company at Salisbury, England, in 1930. After military service in the British army from 1939 to 1946, he was transferred to Royal-Globe's New York office. In 1951 he became assistant regional manager at Washington, D. C., and in 1952 associate regional manager at Richmond, Va. He was transferred to New York as assistant comptroller in 1954 and named manager of the administration division and secretary of the group in 1957.

Graham L. Russell, who has been elevated to vice-president, for personnel and public relations, joined the group in 1946 as personnel director. In 1951 he attended the advance management program at Harvard University. In 1952 he was made manager of the personnel department and of the group's public relations activities, and was also elected secretary. As vice-president he will continue to supervise these functions as well as the education and advertising departments.

Philadelphia A&H Assn. To Meet

Philadelphia A&H Underwriters Assn., at the Jan. 19 meeting, will hear a discussion on individual noncancellable selling vs association group sales. Speaking for individual non-can will be Frank Willis, Massachusetts Indemnity; Wallace Higgins, Travelers; Robert A. Phillips, Mutual Benefit H.&A., and Donald McLean of Massachusetts Indemnity will moderate. Association group panelists will be Joseph Grubb, Educators Mutual; Gordon Conwell, broker; Harry Stewart, Aetna Life, and William Kirk, Occidental Life of California, will be moderator.

AR Surcharge Study Proposed

Insurance Brokers Exchange of California has proposed and offered assistance to a joint producer-company study of assigned risk surcharges and a proposal for a California automobile accident commission, both of which are possible subjects of legislative action in the coming session.

Baltimore Binder Club will hear C. B. Holly, assistant vice-president of the compensation and liability department of U.S.F.&G., at a luncheon Jan. 7. He will discuss recent changes in the liability field.

Call Hearing In Tex. After Attack On Safe Driver Plan

The Texas board has called a special hearing for Jan. 14 to look into proposals to amend the safe driver merit rating plan that was to go into effect Jan. 1.

The action was taken shortly after State Sen. Hazlewood of Amarillo attacked several provisions of the plan, especially those dealing with demerits for moving violations and the fact that the plan is made retroactive. Sen. Hazlewood has been prominent in legislative probes dealing with the insurance scandals of a few years ago and in the reorganization of the insurance board.

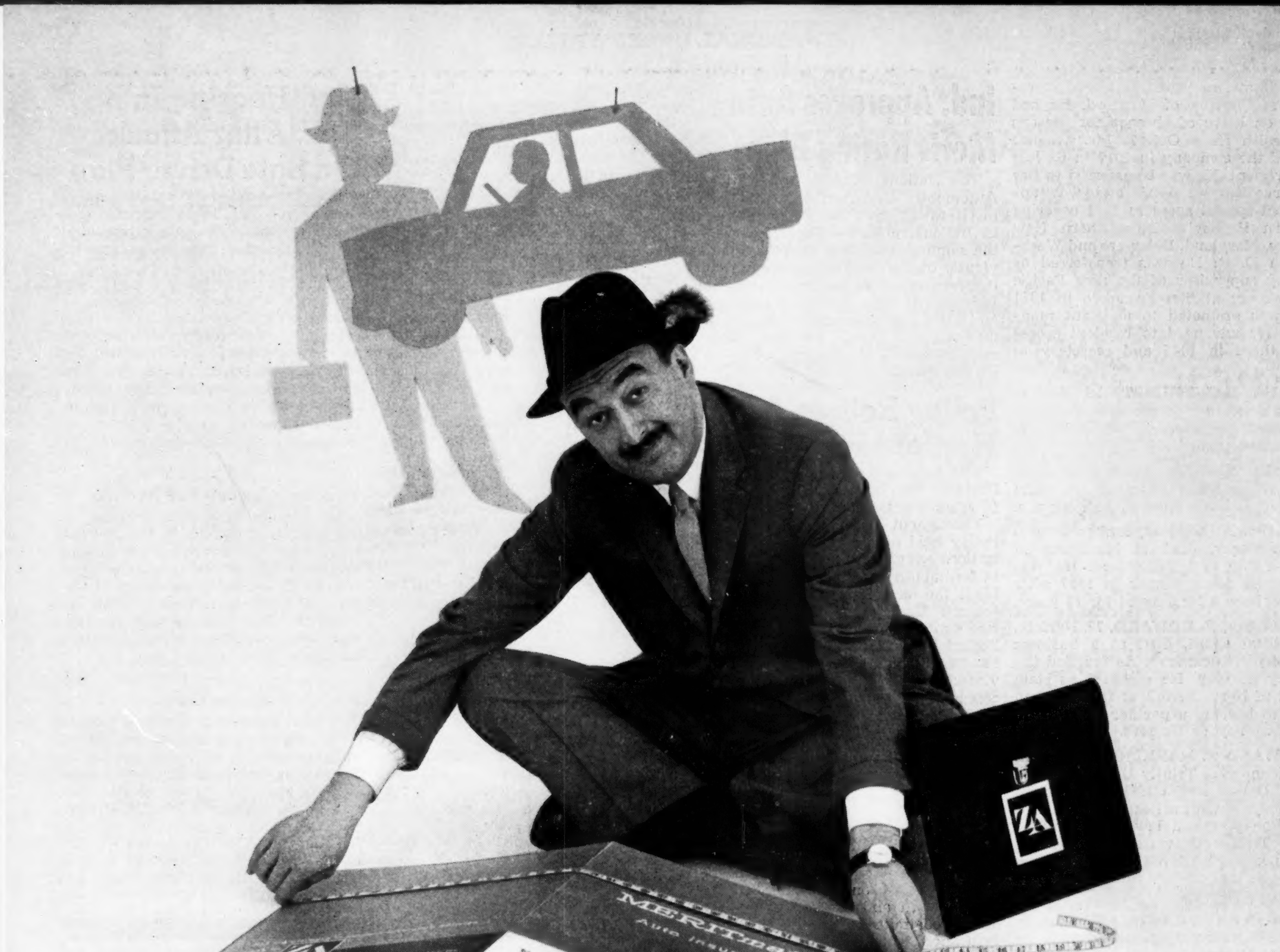
Postpone Chicago Fire Hearing

An Illinois department hearing on the petition of the city of Chicago that charges the fire companies are making too much money was postponed from Dec. 30 to Jan. 21. Director Gerber said his staff needs more time to study the situation. The hearing will be conducted in the State of Illinois Building, Chicago.

Find P. H. Meade Guilty

Federal Court at Indianapolis handed in a verdict of guilty on charges of violation of the SEC Act by Phillip H. Meade, president Farm & Home agency, and two former stock salesmen, E. B. Shelton and W. H. Hilbert.

Meade faces a possible five years in jail and a $10,000 fine on each count of the seven-count indictment. Shelton was found guilty on seven counts and Hilbert on six.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